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# INVESTIGATION OF CONCENTRATION OF ECONOMIC POWER

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## HEARINGS

BEFORE THE

TEMPORARY NATIONAL ECONOMIC COMMITTEE  
CONGRESS OF THE UNITED STATES

SEVENTY-SIXTH CONGRESS

SECOND SESSION

PURSUANT TO

**Public Resolution No. 113**  
**(Seventy-fifth Congress)**

AUTHORIZING AND DIRECTING A SELECT COMMITTEE TO  
MAKE A FULL AND COMPLETE STUDY AND INVESTIGA-  
TION WITH RESPECT TO THE CONCENTRATION OF  
ECONOMIC POWER IN, AND FINANCIAL CONTROL  
OVER, PRODUCTION AND DISTRIBUTION  
OF GOODS AND SERVICES

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### PART 15-A

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**PETROLEUM INDUSTRY**  
**REPORT ON MARKETING PRACTICES IN THE**  
**RETAIL DISTRIBUTION OF MOTOR FUEL**  
**AND MOTOR LUBRICANT PRODUCTS**

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SATURDAY, OCTOBER 7, 1939

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Printed for the use of the Temporary National Economic Committee



UNITED STATES  
GOVERNMENT PRINTING OFFICE  
WASHINGTON : 1946

## TEMPORARY NATIONAL ECONOMIC COMMITTEE

(Created pursuant to Public Res. 113, 75th Cong.)

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Representing the Department of Commerce

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ARTHUR W. RAMSDELL

SALES, MARKETING AND MANAGEMENT CONSULTANT

8 East 46th Street, New York, N. Y. Murray Hill 2-1176

MAY 13, 1939.

KENDALL REFINING COMPANY,  
THE PENNZOIL COMPANY,  
QUAKER STATE OIL REFINING CORPORATION,  
WOLVERINE-EMPIRE REFINING COMPANY.

GENTLEMEN: On April 16, you retained our organization to investigate conditions in the field of gasoline and motor lubricant marketing with particular reference to conditions which exist in the marketing of independent brands of motor oils and/or greases.

You stipulated that the investigation of marketing practices in the retail distribution of motor fuel and motor lubricant products report on the questions as contained in the statement of Senator Joseph C. O'Mahoney, Chairman of the National Economic Committee, to-wit:

"What is the exact relationship between the independent producer and independent distributor on the one hand, and the major units of production and distribution upon the other?"

"What restraints, if any, exist upon free enterprise?"

You stated that our report must be in your hands by May 15, 1939. The time element, it must be recognized, would naturally limit the returns from the distributors and operators of service stations.

You ask us to independently investigate and determine:

1. The extent to which a free and open market exists for the independent producer and refiner (as distinguished from the major integrated producer and refiner) in brands of gasoline, motor oil and other motor lubricants.
2. To what extent is this field still open for free enterprise, such as is contemplated under American laws for business conduct.

Your outline of the scope of work to be covered requests that in the event our investigation determines that a free and open market does not exist for independent gasoline and motor lubricants, that we determine factually:

- a. How the present situation developed.
- b. How its operation is maintained by those benefitting therefrom.
- c. Whether the buying public is permitted through point-of-sale advertising and merchandise display to normally find and purchase independent brands of motor lubricants in the normal channels of trade for such products.
- d. That we investigate historically the growth of the development and establish what, if any, legal steps have been taken for the protection of the independent interests.
- e. That we supply and make as part of our report what we believe to be sufficient evidence of the importance of the independent branch of the Pennsylvania grade petroleum industry.

With these questions in mind, we took the following steps:

We sent questionnaires, reproductions of which appear in the appendix, to 808 independent distributors and jobbers. Accompanying these questionnaires was a letter outlining the purpose of the survey and supplying a definition of the terms used in the questionnaire.

We selected four typical American cities—Washington, D. C., Columbus, Ohio, New Orleans, Louisiana and Portland, Oregon and canvassed every retail outlet for gasoline and motor lubricants. Each canvasser was equipped with a questionnaire which he was instructed to fill in from facts gleaned by observation of the premises, as well as conversations with the operators. He was instructed

to state what he saw regardless of the answers given him by the retail dealer whom he interviewed.

We gathered together such pertinent data as are available in the Public Record and from sources in the oil industry as we had time to digest and tabulate.

An examination of the facts which we were able to gather establishes beyond a question of doubt that a free and open market for independent brands of motor oils, motor lubricants and gasolines no longer exists in the normal channels of trade for such products in the United States. The facts indicate that approximately 85% of the total volume of gasoline is marketed and controlled by a few large integrated oil companies and that the sale of independent brands of motor oils and other lubricants is excluded from those key outlets, the Service Station and Garage, which mainly control the retail sale of the products.

We are submitting herewith the report of our findings.

Very truly yours,

ARTHUR W. RAMSDELL.

# INVESTIGATION OF CONCENTRATION OF ECONOMIC POWER

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SATURDAY, OCTOBER 7, 1939

UNITED STATES SENATE,  
TEMPORARY NATIONAL ECONOMIC COMMITTEE,<sup>1</sup>  
Washington, D. C.

## EXHIBIT NO. 1210<sup>2</sup>

### REPORT ON MARKETING PRACTICES IN THE RETAIL DISTRIBUTION OF MOTOR FUEL AND MOTOR LUBRICANT PRODUCTS BY ARTHUR W. RAMSDELL

#### SUMMARY AND CONCLUSIONS

The investigation of marketing practices in the retail distribution of Motor Fuel and Motor Lubricant Products was undertaken with the object of supplying current data to answer questions appearing in the text of the statement of Senator Joseph C. O'Mahoney, Chairman of the Temporary National Economic Committee:

"What is the exact relationship between the Independent Producer and Independent Distributor on the one hand, and the major units of production and distribution upon the other?"

"What restraints, if any, exist upon free enterprise?"

Our investigation developed the following important points in relation to these and other similar questions:

1. The Service Stations and Garages render a specialized service to automobile owners. As a result of the operation of Building Codes and Underwriters' Rules, the distribution of motor fuel is restricted to Service Stations and Garages. Therefore, they are the main retail outlets for the sale to the consumer of motor fuel and motor lubricants.

2. Through some form of control, the Major Oil Companies have effected various types of exclusive dealing arrangements with the owner of the Service Station or Garage which forces the retail outlet so controlled to exclude for sale the brands of the Independent Producer and Refiner.

3. Our investigation revealed that the policies and sales tactics which appear to be common to all Major Oil Company gasoline suppliers are intended to and do eliminate Independent brands of competitive products from owned and/or controlled retail outlets.

4. The usual marketing practice is to effect with the owner of the retail outlet an agreement of some type of exclusive dealing arrangement whereby the Major Oil Company agrees to install gasoline handling equipment and guarantees to supply uninterrupted deliveries of gasoline to the Service Station, the owner of the retail outlet being required by the agreement to sell only the motor fuel and motor lubricants of the Major Oil Company gasoline supplier.

5. The investigation of the market definitely establishes that there is a consumer demand for the brands of motor oil being produced by the Independent Producer and Refiner; that the owner of the retail outlet is constantly faced with the problem of satisfying consumer demand but is prohibited by the Major Oil Company controlling the station from carrying motor oil products to satisfy this consumer demand.

<sup>1</sup> This exhibit was not submitted for the record by the staff of the Committee.

<sup>2</sup> Entered in the record Saturday, October 7, 1939. See Hearings, Part 15, p. 8408.

6. The ultimate consumer, the car owner, is denied the facilities of the retail dealer in purchasing the motor lubricant products of the Independents and is, consequently forced by the Major Oil Companies to accept the motor lubricant products of the Major Oil Companies.

7. The owners of the retail outlets, in order to supply the insistent demand of the consumer, procures the products of the Independent Producer and Refiner and engages in bootlegging practices in order to, first, satisfy the customer and, second, to avert summary action by the Major Oil Company of cancellation of his source of gasoline supply, and/or extra margin on gasoline sales, and/or courtesy card privileges, and/or credit extensions.

8. The practices above set forth are restraints upon free enterprise.

They restrain the owner of the Service Station or Garage from carrying a diversified line of motor lubricant products.

They restrain the Independent Distributor and Jobber from distributing his products through the retail outlets, which are the normal channels of trade.

They restrain the Independent Producer and Refiner from producing the supply of motor fuel and lubricants that would be required if the consumer could obtain the products of his choice.

9. A free and open market, it is found, does not exist in the distribution of motor fuels and motor lubricants.

10. The retailing of motor fuels and motor lubricants is controlled by the group of Major Oil Companies who act in concert as competitors and who, through 100% exclusive dealing arrangements, now control approximately 85% of the retail outlets in the United States. By controlling the retail outlets specializing in motor fuel and motor lubricant products, the Major Oil Companies have obtained a monopoly of the retail distribution of motor fuel and motor lubricants.

11. The restraints upon free enterprise, it has been found, exist to such an extent that the small Independent Distributor of motor fuel and motor lubricants is rapidly being forced out of business through the marketing practices of the Major Oil Company gasoline suppliers.

12. An analysis of the selling methods of the Major Oil Companies discloses that the following tactics are employed to enforce exclusive dealing arrangements.

- (a) Major Oil Company gasoline suppliers employ the hold they have on the owner of the outlet through equipment installation and source of gasoline supply to force the exclusive sale of Major Oil Companies' motor lubricant products.
- (b) Intimidation and/or threats are used to force the owner or operator of the retail outlet to exclude the products of the Independent Producer and Refiner. The principal type of threats employed are:
  1. Will erect a competitive service station.
  2. Will cut off the extra margin and so give the retail outlets' competitors an advantage in price quotations.
  3. That the courtesy card privilege will be cancelled.
  4. That the supply of gasoline will be cancelled.
  5. That the contract or agreement will be cancelled and the equipment installed removed from the premises of the outlet.

13. The marketing practices employed in the distribution of motor fuel and motor lubricants substitute for free competition in selling, an agreement of a tying type which limits selling and marketing methods and practices to operating within the terms of the tying agreement, or some sort of 100% exclusive control agreement.

14. In the strict marketing and selling sense, the retail outlets controlled by the Major Oil Company group of competitors are not permitted to function as other types of retail outlets in according the consumer the liberty of obtaining the kind and type of motor oil product of his choice.

15. Steps taken by the Independent Producers and Refiners of motor oils and motor lubricants have followed the law abiding procedure of seeking relief through Departments of the Government charged with Administration and Enforcement of existing laws.

Investigations have been carried through by Governmental Departments and they produced sufficient evidence for opinions by the Chief counsel of the

Federal Trade Commission that the practices were either infringements or violations of existing laws.

Just as the point was reached where relief might be granted the Independent Producer and Refiner another governmental body was assigned jurisdiction of the matter complained of. The assuming of this jurisdiction abrogated the investigations and opinions of the department of prior jurisdiction.

As the second governmental body undertook to act upon its decisions of infringement and violations of the Code, this Department's jurisdiction was invalidated by the Supreme Court decision which declared that the National Industrial Recovery Act was unconstitutional.

16. During the period of years taken for the filing of complaints, the assembling of data and the rendering of opinions, the Independent Producers and Refiners could employ no methods to thwart the concerted action on the part of groups of competitors of the Major Oil Companies, but saw themselves barred from the retail market and now view in prospect the ending of business enterprises whoses beginning dates to the discovery of oil in the United States in 1859.

17. Because no relief was forthcoming from the several former investigations of the same practices, Independent Distributors and Jobbers feel that investigation by governmental bodies produce little other than a recanvassing of conditions, facts about which have been established and exist in such form as to be acted upon.

They believe that a recanvassing should be of existent facts and data on file in the various government departments. It is their opinion, re-enforced by twelve years of experience, that a delay of an additional year or two for further investigation by governmental departments holds no prospect other than that the few remaining Independent outlets will be forced to go over to the monopolistic control of the Major Oil Company gasoline suppliers.

18. Definite restraints exist upon free enterprises in the retail distribution of motor fuels and motor lubricants to such an extent that there is no doubt that a free and open market does not exist for the products of the Independent Producer and Refiner, and the Independent Distributor and Jobber.

Restraints are also found to exist upon the retail outlet owner in that he is prohibited from carrying a full line of motor oil products adequate to meet the various types of consumer demand.

19. Purely incidental to this investigation, it was found that similar restraints exist in respect to competition in the sale of accessories, tires and other automotive supplies.

#### CONCLUSIONS

The details upon which our conclusions are based form the body of this report. Our findings indicate that competition is confined mainly to the group of Major Oil Companies whose operations in the production, refining and distribution of petroleum products is quite thoroughly integrated.

The concerted action on the part of this group of competitors may be regarded with the ideology that the practice insures orderly marketing conditions. However, our observation is that the concerted action of the group is so thoroughly applied that it is having the result of putting the Independent Producer and Refiner, the Independent Distributor and Jobber and the Independent Retail Outlet Operator out of business.

Competition exists, but mainly among the group of Major Oil Companies, and the policy that has been observed as being generally adopted by all members of the group is a policy to eliminate the products of the Independent Producer and Refiner from distribution through the retail outlets. The consumer market for motor fuel and motor lubricants is so large that there is ample room for the competitive effort of the independents.

Generally, the retail outlet, that is, the outlet that distributes products to the ultimate consumer, must undertake duties of a public service nature. The retail outlet in general marketing procedure offers products to the consumer and is the final step in the distribution process from producer to consumer. Producers compete with one another for the money the consumer will spend for products of consumer demand.

The producer is interested mainly in supplying the demand of the consumer. The retail outlet operator is generally guided as to the kind and type of products that he will sell by the demand of his customers. As has been stated, this is the general practice in the retail distribution of products. Freedom exists for the retail operator to handle such products as he has demand for.

The producer, when this freedom of distribution to retail outlets exists, then can employ his efforts in stimulating consumer demand for his product.

Our findings from the survey indicate that this free market in the retail distribution of motor fuel and motor lubricant products does not exist because the retail outlet owner or operator has his freedom of function limited by tying, or 100%, exclusive arrangement dealings for the products of one Major Oil Company.

It is a singular condition that the product handled by the retail outlets is so essential to the retail outlet operator as to move him to enter into an agreement by which, in order to guarantee his source of supply of the principal product, gasoline, he will acquiesce in demands to eliminate all other motor fuel and motor lubricant products from distribution through his outlet. That this condition exists is supported by ample evidence in the report.

However, viewing the practice from a strictly marketing point of view, the functions of selling competitive products through the retail outlet, the Service Station and Garage, are practically eliminated. The functions of the Independent Distributors and Jobbers have been absorbed and the functions performed by the salesmen of the Major Oil Companies are more those of "order-takers" and enforcement agents rather than freedom of competition of salesman with salesman for the dealer's order.

Of more importance, however, is the disregard of the consumer's demand and the employment of methods that force consumer acceptance of the products of the Major Oil Company who holds control of the station.

A free and open market implies freedom to buy what is wanted and to sell the product in demand. It seems essential that for a free and open market to exist in the retail distribution of motor fuel and motor lubricant products that the 100% agreement, or other types of exclusive dealing agreements, through which the Major Oil Companies control the retail outlets must be interpreted in the light of the public service function rendered by the Service Station and Garage.

The retail outlet serving the ultimate consumer, the car owner, should offer a line of products of sufficiently diversified brands that will permit the consumer to purchase the products of his choice. The retail outlet would then be an open market free for the selling activities of all producers of motor fuel and motor lubricant products. The distribution of the product to the retail outlet would then depend upon the owner of the retail outlet, who, as a practical business man, would be guided by the demand of his customers as to the number of different kinds and types of motor oils that he would carry as his line.

The principal deterrent to the owner of the service station and garage to carry a diversified line of products is the type of agreement, or contract, that he has concluded with a Major Oil Company for his supply of gasoline.

It seems, therefore, that some action is necessary that will guarantee to the owner of the retail outlet a source of supply of gasoline and also guarantee to him the exercise of his liberty to buy and sell whatever other products are in demand. The retail owner and operator should have the freedom and right to purchase supplies from all competitive Producers and Refiners, and be relieved of the hazard of being forced out of business by being denied the supply of his principal product, gasoline.

The coercive threats that force the retail outlet operator to handle only the Major Oil Companies' motor fuel and motor lubricant products should be supplanted with the selling methods of free competition. The application of salesmanship and selling methods should be open to all Producers and Refiners of Motor oils.

The tying, or 100%, exclusive dealing arrangement could well be discontinued, and in its place a contract substituted whereby the owner of the retail outlet contracts for a quantity of gasoline. This contract should not have associated with it any tying clauses that require the retail outlet owner to handle only the products of the company with whom he contracts for his supply of gasoline.

During our investigation of the marketing practices, the different types of agreements took such a position of importance that we found it necessary to examine the history of the 100%, or exclusive dealing arrangement, practices. Consequently, we have included in this report copies of the report of the Federal Trade Commission and copies of the decisions of the Petroleum Administrative Board covering the findings of governmental investigations made during the past twelve years.

An examination of the material included in the Exhibits contained in Report II will indicate that previous investigations have accumulated sufficient data

regarding the marketing practices of the Major Oil Company group so that the step of crystallizing the results of these investigations into a program could be effected that would create a free and open market for the distribution of motor oil and motor fuel products.

It seems that the delay incident to crystallizing the findings of past investigations has cost the Independents much in the way of reducing their business. The Independent Jobber and Distributor has been greatly affected, and to continue his business it is urgent and essential that he be provided with a free and open market within which he can operate without restraint upon free enterprise.

Orderly marketing conditions can exist in the retail distribution of motor fuel and motor lubricant products when individual enterprise and initiative are unencumbered and when the rewards to be had from a free and open market are insured to individual enterprise.

There is comprehended in the definition of the term "free and open market," the following:

"A Market in which the Retailer is permitted the freedom to purchase the products that he chooses to sell, liberty to display, advertise and resell products without any penalty whatsoever being imposed by the Producer of the principal line of products carried by the Retailer.

"That the Dealer has made no "tying" agreement, either written, oral or implied to confine his purchases of petroleum products to those offered for sale by his gasoline supplier to the exclusion of similar products offered by other suppliers.

"That the Retailer has not been given valuable considerations, conditioned upon his confining his retail efforts to petroleum products purchased from his gasoline supplier, in the form of cash payments, loans of money or equipment, special rental or lease arrangements for the property he operates, credit card agreement, special discounts or margin agreement, advertising allowance, special credit extension, guarantee of un-interrupted supply of gasoline, free painting of building, signs, etc., free paving of driveways or partial reimbursement for same, special prices, discounts or allowances.

"That there exists no performance guarantee which are conditioned on the Retailer handling the petroleum products of the gasoline supplier exclusively, in the form of special remuneration to the retailer or his employees such as "capping" or bonuses for pushing the petroleum products of the gasoline supplier.

"Where for any reason whatsoever the general public is denied the opportunity to locate or find through directional advertising, examine, and purchase other petroleum products than those of the gasoline supplier."

That urgent action is essential to arrest the practices of the Major group is emphasized by the analysis of our findings presented in the statistical section, for during the years 1936 to date the findings indicate that the Major Oil Company group have intensified their drive to obtain 100%, or other type of exclusive dealing, control, of the retail outlets.

The statistical data indicates that practically 85% of the retail outlets are controlled by the Major group and that the practices of more recent date are to concentrate upon enforcing control for exclusive sale of all Major Oil Company products.

The investigation indicates that coercive tactics are now rigidly applied to force dealers to go "exclusive" for Major Oil Company products. Letters of the type reproduced in the following pages deliver a most threatening ultimatum. With the power to follow through in the hands of the Major group, a more restricted market is in the offing.

G. L. WEER

#### THE ATLANTIC REFINING COMPANY

##### PETROLEUM PRODUCTS

WILKES-BARRE, PA., November 8, 1938.

ECONOMY GAS & OIL CO.,

No. Penna. Ave. & Scott St., Wilkes-Barre, Pa.

(Att: Mr. Isaah Troy.)

GENTLEMEN: We have checked your service station several times recently and find you are pushing motor oils other than Atlantic to your customers.

This is to give you notice that the next time we check your station and find you are still pushing Wolfeshead, Canfield and other brands of motor oil, we will discontinue the credit card privilege that you are now enjoying.

I believe that you, yourself, feel you are not fair in continuing the credit card privilege and at the same time pushing other oils from which you are not making any more money than you are on Atlantic.

Very truly yours,

THE ATLANTIC REFINING COMPANY,  
G. L. WEER, *District Manager.*

GLW SMB

#### OUTLINE OF PROCEDURE

In carrying forward our analysis of marketing practices in the retail distribution of motor fuel and motor lubricant products, we sent questionnaires to 808 distributors located throughout the United States.

The questionnaire, marked "A," see Appendix this report, was accompanied by a letter, marked "B," see Appendix, and a letter, Definition of Terms used in the Questionnaire, marked "C." The mailing of the questionnaires was completed by noon of April 27th. Request was made that they be returned by May 5th.

Additionally, a field survey was undertaken in Washington, D. C.; Portland, Oregon; Columbus, Ohio; and New Orleans, La. Field canvassers were employed to call upon every retail outlet within the city limits, see Instructions to Inspectors, marked "D," and to fill out the form, marked "E" in the Appendix. Returns were received as follows:

85 Distributors filled out questionnaires supplying data on 1,512 dealers.

61 Distributors substituted a letter describing marketing practices in their territory in lieu of returning the questionnaire, stating that they did not have time in which to compile the data called for in the questionnaire.

Returns were received from the canvassers calling upon filling stations, as follows:

Washington, D. C.—Number of filling stations and garages.....	531
Portland, Oregon—Number of filling stations and garages.....	864
Columbus, Ohio—Number of filling stations and garages.....	510
New Orleans, La.—Number of filling stations and garages.....	534

An analysis of the returns finds a definite pattern of conditions existing in practically all parts of the United States. The pattern of conditions is such as to indicate that a larger number of returns would supply little, if any, additional data and would but add a preponderance of figures that would merely indicate a greater number of instances of the practices found as being employed, without changing the pattern as to the kind and type of marketing practices employed in the distribution of motor fuel and motor lubricant products.

#### THE RETAIL OUTLET

The starting point in the analysis of marketing practices in the retail distribution of motor fuel and motor lubricant products, is the retail outlet, the Service Station and Garage. The investigation indicates that the restraints upon free enterprise starts with the Service Station and Garage and works back through the distribution functions of Distributor and Jobber, to the Independent Producer and Refiner.

The Service Station and Garage are the most highly specialized of all types of retail outlets. In fact, the principal product, gasoline, cannot be distributed by any other retail outlet.

Other types of retail outlets are prohibited through city ordinances, rulings of the fire underwriters, and through rulings of the Fire Department from handling flammable or inflammable products.

Building codes in every state throughout the United States specify the type of construction of the building and the precautions that must be taken against fire hazard.

The resulting effect of the building codes and the regulations of the National Board of Fire Underwriters has produced a type of outlet to distribute motor fuel and motor lubricating products. Consequently, the retail distribution of motor fuel and motor lubricant products must be mainly through the Service Station.



Control of the retail outlets by Major Oil Companies, therefore, produce a monopoly of petroleum products distribution.

The manner in which control has been obtained by a group of Major Oil Companies is generally through some type of Exclusive Dealing Arrangement, i. e.,

- 100 per cent Agreement
- Tying Contract
- Leasing Arrangement
- Lease and Re-Lease.
- Lease and Equipment Agreement
- Sales Contract type of Control
- Lease—Re-lease and Equipment

(See Report II, Exhibit A, Section 12—Detail of Contracts Employed; and Exhibit C, Pages 6-7-8 and Section VII. Page 15-16-17, Exhibit K).

Control of Service Stations by a Major Oil Company is not so thorough in any one territory as to dominate all the retail outlets. For the most part, each Major Oil Company has obtained control of a small percentage of the service stations and garages in any one territory and, consequently, competition exists through competitive efforts among various Major Oil Companies in each territory.

One practice has been observed—that all of the Major Oil Companies prohibit distribution by the retail dealer that they control of motor fuel and motor lubricant products of the Independent Producer and Refiner.

From a practical marketing point of view, control of a retail outlet might be considered from the angle of a company owned store or outlet, as for instance, company owned stores of manufacturers of shoes, clothing, building materials and building accessories. However, in each of these cases, other retail outlets exist, the operators of which can be interested in selling the products of manufacturers who, due to limited financial resources, are not in a position to operate wholly owned company stores. Additionally, other types of consumer products have many types of retail outlets to employ in distributing to the ultimate consumer.

The distribution of petroleum products is in no way analogous. Retail distribution of motor fuel cannot be engaged in except by those retail outlets which in the matter of building construction, the location of tanks and handling equipment are equipped in such a manner as to eliminate fire hazard.

Motor fuel is the principal product distributed by the service station and garage. However, the services required for the maintenance and upkeep of the automobile are so closely tied in with gasoline that all motor fuel and motor lubricant products are logically concentrated in the Service Station and Garage as the outlet for distribution to the retail trade.

These considerations must be taken into account in determining the potential number of outlets that are available for the distribution of motor fuel and motor lubricant products. Any investigation of marketing practices to determine what restraints, if any, exist upon free enterprise must recognize that in the retail distribution of motor fuel there is but one type of outlet, the Service Station or Garage, that Producers, Refiners or Marketers of petroleum products have at their disposal for the distribution of their product to the ultimate consumer.

The marketing of motor fuel through other retail outlets is prohibited by local law and Underwriters' regulations.

The diversity of products, therefore, that the owner of the Service Station can distribute is practically limited to products for the operation and maintenance of the automobile together with a line of a limited number of accessories in demand by the ultimate consumer, the car owner.

The business man investing his money in a Service Station cannot transform the Service Station into another type of outlet. Store rooms, by way of comparison, can be used as a drug store, grocery store, beauty shop, etc.

Money invested in the building of a Service Station is lost if the building cannot be used as a Service Station. This fact, no doubt, accounts for the manner in which the owner of the Service Station accepts the inducements and submits to the threats or coercion of the Major Oil Companies to sell only their products regardless of whether or not they are in demand by the consumer.

## ANALYSIS OF FINDINGS FROM THE QUESTIONNAIRE

Tables 1 to 11 inclusive, present the statistical analysis from the questionnaires.

Tables 1, 2, 3, 4, 5: The year the control of the Service Station and Garage was gained by the Major Oil Company and the resulting effect in the loss of business to the Independent Producer and Refiner and the Local Distributor and Jobber.

Table 6: How Control of the Service Station and Garage was obtained.

Table 7: The owner of the Service Station and Garage's reason for entering into a type of Exclusive Dealing Arrangement with the Major Oil Company.

Table 8: The type of concessions made by the Major Oil Company in gaining control of retail outlets.

Table 9: The practices employed by the Major Oil Company in forcing the owner of the Service Station and Garage to retail exclusively the products of the Major Oil Company.

Table 10: Data indicating that a free and open market existed prior to Major Oil Company obtaining control of the Service Station and Garage.

Table 11: Data indicating that a free and open market no longer exists after the Major Oil Company obtains control of the Service Station and Garage.

Table 12: The findings of the Field Survey of four (4) typical cities.

An analysis of the questionnaires returned by 82 distributors indicates that beginning about 1936, the Major Oil Companies intensified their efforts to obtain control of the Service Station.

The restraint that had been exercised by the Code being removed, the Major Oil Companies were left free to employ tactics to eliminate the Independent Producer's and Refiner's products from distribution through the Service Station and Garage.

The data accumulated by the Federal Trade Commission in its investigation during 1932, was not used to crystallize governmental action on behalf of the Independent Producer and Refiner. Consequently, the Major Oil Companies have obtained greater dominance over a larger number of retail outlets; and by the degree of Major Oil Companies' domination of retail outlets, the business of the Independent Producer and Refiner and the business of the Local Distributor and Jobber has been reduced.

Tables 1 to 5 present an Analysis of the statistical data contained in the Questionnaire.

The 82 distributors reporting cover 1,512 Service Stations that sold formerly the Independents' products and which are now closed as outlets for all products other than those of the Major Oil Companies.

The intensity of the drive by the Major Oil Companies to obtain control of a greater number of retail outlets is indicated by Table 1.

In the territory of 82 Distributors,

During 1935—

Major Oil Companies gained control of 49 Service Stations

During 1936—

Major Oil Companies gained control of 98 Service Stations

During 1937—

Major Oil Companies gained control of 311 Service Stations

During 1938—

Major Oil Companies gained control of 397 Service Stations

During 1939 to May 6, 1939—

Major Oil Companies gained control of 119 Service Stations

During 1935 to May 6, 1939—

Major Oil Companies gained control of 538 Service Stations  
in addition to the above

1,512 Service Stations

The Questionnaire did not indicate the year that control was gained of 538 Service Stations.

The effect of this control is reflected in the following figures of Table 4:

	<i>Gallons of Motor Oil Sold</i>
Group Control Gained 1936:	
During 1936—66 Distributors' sales to 96 Retail Outlets that were handling their products amounted to .....	94, 613
During 1937—these 66 distributors' sales to the same 96 Retail Outlets amounted to .....	2, 364
During 1938—these 66 distributors' sales to the same 96 Retail Outlets amounted to .....	1, 703
During the first quarter of 1939—these 66 distributors' sales to the same 96 Retail Outlets amounted to .....	202
Group Control Gained 1937:	
During 1936—73 Distributors' sales to 307 Retail Outlets that were handling their products amounted to .....	118, 542
During 1937—the Major Oil Companies gained control of these 307 Retail Outlets and the 73 Distributors' sales amounted to .....	54, 390
During 1938—these 73 Distributors' sales to the same 307 Retail Outlets amounted to .....	19, 268
During the first quarter of 1939, these 73 Distributors' sales to the same 307 Retail Outlets amounted to .....	2, 570
Group Control Gained 1938:	
During 1938—the Major Oil Companies gained control of 387 Retail Outlets who were buying from 77 Distributors reporting.	
During 1936—these 77 Distributors' sales to the 387 Retail Outlets amounted to .....	114, 586
During 1937—these 77 Distributors' sales to the same 387 Retail Outlets amounted to .....	127, 867
During 1938—the Major Oil Companies gained control of these 387 Retail Outlets and the 77 Distributors' sales amounted to .....	68, 816
During the first quarter of 1939—these 77 Distributors' sales to the same Retail Outlets amounted to .....	5, 451
Group Control Gained 1939:	
During the first quarter of 1939—the Major Oil Companies gained control of 113 Retail Outlets who were buying from 65 Distributors.	

The gradual increase of gallons of motor oil sold from 1936 to 1939 through these 113 Retail Outlets indicates the amount of effort and enterprise that the Individual Distributor put forth to develop his motor oil business, and it also indicates the increasing demand for the motor oils of the Independent Producer and Refiner.

	<i>Gallons of motor oil sold</i>
During 1936—65 Distributors' sales to 113 Retail Outlets that were handling their products amounted to .....	26, 780
During 1937—these 65 Distributors' sales to the same 113 Retail Outlets amounted to .....	37, 473
During 1938—these 65 Distributors' sales to the same 113 Retail Outlets amounted to .....	43, 776
During the first quarter of 1939—these 65 Distributors' sales to the same 113 Retail Outlets amounted to .....	3, 534

An examination of the methods employed by the Major Oil Companies in obtaining this additional business but forces the conclusion that the methods are those of monopolistic control and that they can hardly be regarded as selling methods.

Selling methods, in the final analysis, are competition of one salesman with another salesman for the order of the owner of the Retail Outlet, and followed through to the source of consumption, the supplying of the demand of the consumer. If the consumer demands the product, the retailer normally will see to it that he satisfies the demand of his customer. If the favored product of the customer is not readily available, the customer will buy elsewhere, or may be "high pressured" (in selling parlance) into buying a substitute.

The methods of the Major Oil Companies are definitely calculated only to supply their own products and to see to it that the product the consumer wants is not available in the Retail Outlets.

First hand contact with the practices employed in the marketing of motor fuel and motor lubricant products develops the impressive factor that some owners of the Retail Outlet will attempt to satisfy the insistent demands of consumers by bootlegging and selling products the consumer demands which the Major Oil Company controlling the station prohibits the owner to sell.

The comparison of figures presented above indicates that even after control has been gained by the Major Oil Company, the Independent Producer and Refiner, and the Independent Distributor and Jobber, manage to sell their products through some controlled Retail Outlets, and reference to the letters from the Distributors (See Section LB-25, Pages LB-38-39-40) indicate the hazard under which they operate in daring to defy the arbitrary orders of the Major Oil Company controlling the station.

In such cases, the owner of the Retail Outlet knows that his best business comes from satisfying the demand of his customer. To satisfy the demand of those customers insisting upon Independent Brands, he must procure high grade nationally advertised brands of motor oil in such manner as to evade the agreement for exclusive dealing, the conditions upon which the Major Oil Company will sell him gasoline. (See Exhibit—L-19c.25, Page LB-39, which states that Delivery Trucks stop a block away to make sure "no Major spotters are about." Also see Exhibit—L-21.25, Page LB-40, relating that dealers have some clientele that "want our products and they keep them in the basement \* \* \* out of sight of the Company man who calls.")

Table 3 assembles the statistical data taken from the questionnaires by states.

In New York State, 20 distributors sent in questionnaire covering the business done with those service stations and garages whom the Major Oil Company gained control of during 1935 to 1939.

	<i>Gallons of motor oil sold</i>
New York State:	
During 1936—20 Distributors' sales to 31 Retail Outlets amounted to .....	79,057
During 1937—after Major Oil Company control these 20 Distributors' sales to the same 31 Retail Outlets amounted to....	938
During 1938—these 20 Distributors' sales to the same 31 Retail Outlets amounted to.....	1,101
During the first quarter of 1939—these 20 Distributors' sales to the same 31 Retail Outlets amounted to.....	51
Pennsylvania:	
In Pennsylvania, 13 distributors sent in questionnaires covering the business done with those Retail Outlets whom the Major Oil Companies gained control of during 1935 to 1939.	
During 1936—3 Retail Accounts' purchases amounted to.....	35,489
During 1937—after Major Oil Company enforced control the same 3 Retail Accounts' purchases amounted to.....	18
During 1938—the same 3 Retail Accounts' purchases amounted to.....	18
During the first quarter of 1939—the same 3 Retail Accounts' purchases amounted to.....	18

These three outlets illustrate what happens to independent brand volume when major oil companies enforce their control as they did in these outlets in 1937.

	<i>Gallons of motor oil sold</i>
Ohio:	
In Ohio, 7 distributors sent in questionnaires covering the business done with those Retail Outlets whom the Major Oil Companies gained control of during 1935 to 1939.	
During 1936—28 Retail Outlets' purchases amounted to.....	20,236
During 1937—the same 28 Retail Outlets' purchases amounted to.....	23,598
During 1938—after Major Oil Company Control the same 28 Retail Outlets' purchases amounted to.....	9,216
During the first quarter of 1939—the same 28 Retail Outlets' purchases amounted to.....	946

Gallons of  
motor oil  
sold

## Utah:

In Utah, 1 distributor sent in questionnaires covering the business done with those Retail Outlets whom the Major Oil Companies gained control of during 1935 to 1939.

During 1936—this distributor's sales to 9 Retail Outlets amounted to.....	4,190
During 1937—after Major Oil Company control this distributor's sales to the same 9 Retail Outlets amounted to.....	100
During 1938.....	None.
During the first quarter of 1939.....	None.

An analysis of Tables 3 and 5 indicate similar trends of the loss of business to the Individual Business Man and the Independent Producer and Refiner. The extent of the loss could only be determined by a return from each Distributor.

The analysis of Table 3 of the conditions in each state from which reports were received, indicates a definite pattern of the trend. Formulas could be employed to estimate the total loss incurred by the Independent Producer and Refiner and the Independent Distributor and Jobber, and though such theoretical formulas of statistics are highly interesting, the plain, cold facts are that no free and open market exists for the distribution of motor oil and that the Major Oil Companies have closed the market for the distribution of motor oils other than their own products. Consequently, the Independents are gradually being forced out of business.

Tables 20 to 28, inclusive, present the statistics assembled by the Bureau of Census on the number of filling stations and garages in each state. (See Statistical Section.) These statistics when compared with the data contained in Tables 3 and 5 will, for all practical purposes, indicate what a closed market effects in loss of business to the Independents due to restraints upon free enterprise.

## TYPES OF METHODS OF GAINING AND FORCING CONTROL

Tables 6 to 11: Table 6 presents a statistical analysis of the answers to the question "How Control was Obtained" broken down into five sub-classifications. The Distributor in filling out the questionnaire has supplied the name of the Major Oil Company obtaining control and has identified the type of practice employed to obtain an Exclusive Dealing Arrangement for all of the products of that Major Oil Company.

85 Distributors reported information on "How Control was Obtained" of 1,512 Retail Outlets and also supplied in their reports the name and address of each Retail Outlet.

	<i>Number of controlled retail outlets</i>
Of the different types of Exclusive Dealing Arrangements with the Retail Outlet, control was effected through a lease with.....	696
Control was obtained through other 100% types of Exclusive Dealing Arrangements of.....	280
Control was obtained through purchase of.....	97
The distributor did not know how control was effected with.....	186
All other types of 100% or exclusive control.....	25
Did not cover this question in reporting on.....	228
	<hr/> 1,512

However, this Table compared with the data in Tables 8 and 9 reporting on conditions before and after monopolistic practices, indicates that the type of Exclusive Dealing Arrangement did prohibit the sale of the products of the Independent Producer and Refiner from distribution through the 1,512 Retail Outlets reported upon.

Table 7 presents the statistical data in answer to the question "The Dealer's Reason for Signing Up," this question being broken down into ten sub-classifications. In reporting on 1,512 Retail Outlets, an analysis of the questionnaires indicates that in many instances there were combinations of deals made to effect 100 per cent or other Exclusive Dealing Arrangements.

The questions may be assembled into two groups:

- Group I. Price concessions under the heading of additional margin on gasoline, additional margin on other lines.
- Group II. Money spent by the Major Oil Company to obtain an agreement with the dealer in the form of investments in improvement of the dealer's property which, in reality, is some sort of financial or credit control of the pressure type, i. e., money was spent to create an obligation which until satisfied requires of the recipient his submission to control.

The distributors filling out this portion of the questionnaire reported a total of 1,992 reasons given by the owner of the Retail Outlet for his signing an Exclusive Dealing Type of Agreement.

The threat of the Major Oil Company that they would build a competitive station effected an agreement with.....	41
In Group I, an additional margin on gasoline was given to.....	446
An additional margin on other lines was given to.....	125
Some form of price concession was given to.....	571
In Group II, the number of owners of the Retail outlets receiving	
Free equipment.....	528
and/or Free Paint Job.....	463
and/or Free Building Construction.....	154
and/or Free Paving.....	141
and/or Parking Lot Space.....	14
Distributors reported as "all other types of reason".....	50
No information was obtained as to the details of the agreement with.....	30
	1,992

Table 8 presents a statistical analysis of the question 'Concessions' broken down into seven sub-classifications.

85 Distributors supplied 667 answers.

The answers to this question when compared with the answers of Table 6 regarding additional margins on gasoline and other products, indicates that money considerations enter into and play an important part in obtaining control.

Concessions in the form of credit extension is a type of financing supplied the owner of the Retail Outlet.

Special discount, bonus plan and cash payment afford the owner of the Retail Outlet a means of increasing his profits in direct relationship to the initiative and effort he puts forth in promoting the sales of the products of the Major Oil Company controlling the Retail Outlet.

Special discount and Bonus payments are made for extra effort in the promoting of sales of the products of the Major Oil Company controlling the Retail Outlet.

Special discount and the bonus plan are especially employed by the Major Oil Company to establish a differential in favor of their own products to encourage and enlist the owner's effort to push those products upon which he receives extra earnings for increased quantities sold.

These differentials operate in favor of the Major Oil Company's motor oil products, the purpose being to sell the ultimate consumer products "just as good" as the product that he has asked for.

Regardless of what might be said as to the payment of bonuses for extra effort in promoting one type of product over another, it cannot be overlooked that the Service Station and Garage are to function as a retail outlet to supply the consumer demand and that the products in demand by the consumer should be available for him at that retail outlet where he purchases motor fuel and motor oil.

Credit Extensions were granted to 201 owners of retail outlets. Advertising allowances were granted to 32 owners of retail outlets—that is, a total of 233 received concessions in the form of financing.

Special discounts were granted to 171, bonus plan payments to 147, outright cash payments to 37, all other types of concessions to 21; total, 376.

Distributors reported that considerations were given but the type could not be determined and consequently reported as "Don't know," 58; total, 667.

Table 8 presents the statistical data on the question "How Control is Enforced" broken down into five-sub-classifications.

The statistical data presents in round figures that control was enforced through the character of contract; through threats to cancel the extra margin allowed the owner on a sale of the Major Oil Company's product; and threats of courtesy card withdrawal.

Control of exclusive dealing in Major Oil Company's products was enforced through character of contract with 500 retail outlets.

By threats to cancel the extra margin granted on Major Oil Company products to 205 retail outlets.

By threats to withdraw the privilege of selling to consumers on credit via the courtesy card privilege, 262; by all other types of threats and coercive intimidations, 19; by threats that were not disclosed as to type and reported as "Don't know," 9; total, 995.

The statistical analysis of this Table presents the report of 85 Distributors that the Major Oil Company employs the rights of cancellation of the agreement and with the cancellation, cutting off of the source of supply of gasoline to the owner of the Retail Outlet, as Control through Character of Contract.

A more vivid picture is supplied in that section of the report under the heading of "Distributors Complaints." The Distributors' Complaints data reports the actual experience of Dealers with the agents of the Major Oil Companies.

Apparently from the returns of the questionnaires, the threat inherent in the character of the contracts, of cancellation of the agreement with the Major Oil Company is the most effective in bringing compliance to exclusive dealing, than threats of cancelling the extra margin on gasoline, or of withdrawal of courtesy card privileges.

The most effective leverage applied by the Major Oil Company upon the owner of the Retail Outlet is the threat that involves the loss of business to the owner.

This opinion seems to be warranted when an attempt is made to account for the owner of the Retail Outlet's ready acquiescence in the threats of the Major Oil Company.

So long as his source of supply of gasoline is guaranteed, he can keep in business and operate his Retail Outlet. The small business man can exercise enough business judgment and ingenuity to meet competitive prices. But when the threat is made that his contract will be cancelled and that he must look to other sources for his supply of gasoline, the owner of the Retail Outlet well knows that the supply and distribution of gasoline is controlled by the Major Group and that he must cope with the concerted action on the part of groups of competitors. He immediately recognizes that to keep in business he must submit to the dictates of the Major Oil Company as to what products he may sell through his Service Station and/or Garage.

Next in importance is threat of withdrawal of the Courtesy Card.

Courtesy Cards are given to consumers and grant the holder the privilege of purchasing automotive supplies and equipment on credit. The terms are set forth in the photostat of a Courtesy Card following.

The Major Oil Company assumes the risk involved in late or non-payment for the purchases made.

The Dealer who is granted the privilege of honoring Courtesy Card purchases extends credit and his credit sales are allowed as payments against his purchases from the Major Oil Company.

The products the consumer can purchase on credit are the products produced or supplied by the Major Oil Company. Consequently, the Courtesy Card privilege is an inducement for the dealer to go "exclusive."

Loss of the privilege of extending credit means to the dealer loss of the volume of business done on a credit basis at no risk to himself.

The concerted action on the part of Major Oil Company gasoline suppliers in the use of Credit Cards affords one of the best illustrations of group action for the exclusion of Independent Products.

Tables 9 and 10 can be analyzed together. One presents conditions existing in the territory before monopolistic practices obtained control of the 1,512 retail outlets reported upon, and the conditions existing after monopolistic practices had given control of the station to the Major Oil Company.

85 Distributors reported on *before* and *after* the 1,512 retail outlets were controlled by the Majors.

	Table 8: Before		Table 9: After	
	No	Yes	No	Yes
Was your merchandise on display*at the retail outlet?.....	122	1, 149		
Is your merchandise now on display at the retail outlet?.....			1, 126	95
Did the dealer display your curb and other point-of-sale advertising signs and advertising material?.....	156	1, 058		
Are your curb and other point-of-sale signs displayed at the outlet?.....			1, 143	69
Was there a free and open market for your motor oil in the account?.....	114	883		
Is there now a free and open market for your motor oil in this account?.....			1, 136	117

Table 9, reporting conditions *before* monopolistic practices, indicates that in so far as the great majority of the Individual Retail Outlets of the 1,512 reported upon is concerned, a free and open market existed and that the owner of the Retail Outlet operated the business with the object of supplying the products in demand by the consumer.

Table 10, indicates that the majority of the outlets no longer afford a free and open market in which the consumer can obtain the products of his choice.

A free and open market would embrace the following:

A Market in which the retailer is permitted the freedom to purchase the products that he chooses to sell.

Liberty to display, advertise and resell products without any penalty whatsoever being imposed by the Producer of the principal line of products carried by the Retailer.

Where for any reason whatsoever the general public is denied the opportunity to locate or find through directional advertising, examine and purchase other motor fuel and motor lubricant products than those of the gasoline supplier.

Note the excerpts from Distributors' letters reporting conditions throughout the nation:

Page LB-7—Exhibit L-14.5—"Display of merchandise is not permitted."—New York.

Page LB-8—Exhibit L-40.5—"The supervisor visited the station and ordered the sign and rack removed."—Massachusetts.

Page LB-10—Exhibit L-5c.6—"Dealers say plainly that they would handle our products if they dared to risk what the leasing company might do."—Virginia.

Page LB-22—Exhibit L-1.13—"The majority of these operators would like to carry a premium brand of oil, but state they are not allowed to or are afraid to."—North Carolina.

Page LB-23—Exhibit L-21.13—"We have a few accounts that one company controlled that do have our oils in, but they are kept hid."—Colorado.

Page LB-35—Exhibit L-10.21—"Our distribution of Kendall Oil in this territory simmers down to a few faithful."—Oregon.

These few of the many similar reports contained in the Exhibits of Letters from Distributors indicate that restricted practices are employed that force the dealer to bootlegging practices.

The Dealer has and feels the responsibility of serving his customers. Being a practical business man, he knows he loses money when he loses sales.



## FIELD SURVEY OF FOUR CITIES

Table 12 presents the finding of the Field Survey of Four Cities. Inspectors called on service stations and Garages as classified by the following types of outlets:

	Total	New Orleans, La.	Washington, D. C.	Columbus, Ohio	Portland, Oreg.
Total.....	2,439	534	531	510	864
Parking lot.....	44	4	1	17	22
Garage.....	189	42	7	21	119
Service station.....	458	10	2	105	341
Filling station.....	1,551	437	472	344	298
Parking lot and filling station.....	30	10	11	7	2
Car dealer.....	38	10	20	1	7
Tire company.....	9	9			
Filling station and motor company.....	4		4		
Garage and filling station.....	21		9	6	6
Motor oil.....	1		1		
Auto service and garage.....	50		1	1	48
Parking and garage.....	3			3	
Parking lot and service station.....	4			1	3
Garage, station and parking.....	1			1	
Filling and service station.....	3				3
All others.....	19	4	1	1	13
No answer.....	14	8	2	2	2

Table 12: This table presents a tabulation of the reports filled out by inspectors who called on every service station and garage in four typical cities.

The purpose of listing the questions in the order that they appear in the questionnaire (see Exhibits marked "D" and "E" in Appendix), was to test the answers of the different questions in making comparisons.

Question "e"—"Individually owned and Operated" was checked by the answers to Questions "6"—"Does Station display more than one company's motor oil?" and "7"—"Does Station display any other company's sign or other merchandising material?"

When an outlet is not controlled, more than one brand of motor oil is generally sold and display signs of one type or other are employed to advertise the brands that the outlet offers for sale.

A comparison of the answers to Question "e" and Questions "6" and "7" indicates that the observations made by the inspectors show that there are fewer independently operated stations than does the information obtained as a result of the interviews with the operators of the stations.

The Inspector's conversation with the owner or operator of the Retail Outlet was to determine whether the outlet was "Controlled" or Independent.

The Inspector was to make observations and also report on what he saw.

The inspectors in Washington, D. C., called on 531 retail outlets. They were told that the outlets were individually owned and operated by 230. They noted that only one company's gasoline was sold by 429. They noted that more than one company's motor oil was sold by but 152, and that more than one company's advertising signs and materials were displayed by but 114.

The spread between 114 and 152 is small for survey work and indicates that between 22% and 29% of the Retail Outlets are Independents, and that between 78% and 71% of the Retail Outlets are controlled by the group of Major Oil Companies.

A map of Washington is included facing p. 8835, infra. Maps coded as follows:

Controlled ○  
Independent ⊙

and present graphically the picture of a Controlled Market.

The locations of the Independent Retail Outlets are submerged by the dominance of the controlled outlets.

The inspectors in Columbus, Ohio, called on 508 retail outlets. They were told that the outlets were individually owned and operated by 156. They noted that only one company's gasoline was sold by 503. They noted that more than one company's motor oil was sold by but 137, and that more than one company's advertising signs and materials were displayed by but 83.

The spread between 83 and 137 is small for survey work and indicates that between 16% and 27% of the Retail Outlets are Independents, and that between 74% and 73% of the Retail Outlets are controlled by the group of Major Oil Companies.

A map of Columbus is included on p. 8835, infra. Maps coded as follows:

Controlled ○  
Independent ⊙

and presents graphically the picture of a Controlled Market.

The locations of the Independent Retail Outlets are submerged by the dominance of the controlled outlets.

The inspectors in New Orleans, Louisiana called on 532 retail outlets. They were told that the outlets were individually owned and operated by 190. They noted that only one company's gasoline was sold by 513. They noted that more than one company's motor oil was sold by but 94, and that more than one company's advertising signs and material were displayed by but 82.

The spread between 82 and 94 is small for survey work and indicates that between 15% and 17% of the Retail Outlets are Independents, and that between 85% and 83% of the Retail Outlets are controlled by the group of Major Oil Companies.

A map of New Orleans is included on p. 8835, infra. Maps coded as follows:

Controlled ○  
Independent ⊙

and presents graphically the picture of a Controlled Market.

The locations of the Independent Retail Outlets are submerged by the dominance of the controlled outlets.

The inspectors in Portland, Oregon, called on 863 retail outlets. They were told that the outlets were individually owned and operated by 519. They noted that only one company's gasoline was sold by 851. They noted that more than one company's motor oil was sold by but 43, and that more than one company's advertising signs and material were displayed by but 172.

The spread between 43 and 172 is small for survey work and indicates that between 5% and 20% of the Retail Outlets are Independents, and that between 84% and 73% of the Retail Outlets are controlled by the group of Major Oil Companies.

A map of Portland is included on p. 8835, infra. Maps coded as follows:

Controlled ○  
Independent ⊙

and presents graphically the picture of a Controlled Market.

The locations of the Independent Retail Outlets are submerged by the dominance of the controlled outlets.

#### DISTRIBUTORS' COMPLAINTS

Many distributors receiving the questionnaire wrote advising that they did not have sufficient time in which to complete the data called for their territory, and substituted for the questionnaire a letter reporting the practices employed in the retail distribution of motor oil in their territory.

The careful reading of the letters substituted for the questionnaire conveys the definite impression that the distributors are possessed with a feeling of defeatism of the "what's the use" type.

In tracing the history of the efforts employed by the Independent Producers and Refiners in getting their case before the proper governmental bodies, this observation, that the distributors are more possessed of defeatism than laissez, we feel is reinforced.

The analysis of the letters presents data of a most convincing type of the effect of the practices of the Major Oil Company on the business of the Independent Distributors and Jobbers.

Photostat reproductions of the letters are presented in Exhibits, p. 8825, *infra*.

In order to determine whether the complaints in the different letters develop a definite pattern throughout the United States, the letters were broken down for analytical purposes. Paragraphs were assembled under 43 different classifications of complaints. These paragraphs are presented under the heading of the type of complaint, in Section LB—indexed "Distributors' Complaints" and careful reading will establish that the same marketing practices are employed in all parts of the United States.

The general use of threats, coercion and intimidation indicates that the employment of aggressive acts is a characteristic of the marketing practices of the Major Oil Companies.

The companies using methods of force have been identified. The Distributors have listed the following organizations as depending upon aggressive acts to sell, rather than the fair competitive methods of salesmanship:

The Atlantic Refining Company  
 Sinclair Refining Company  
 Standard Oil Company of New York  
 Standard Oil Company of New Jersey  
 Standard Oil Company of Ohio  
 Standard Oil Company of Indiana  
 The Texas Corporation  
 Shell Union Oil Corporation  
 Richfield Oil Corporation  
 Cities Service Company  
 Tide Water Associated Oil Company  
 The Pure Oil Company  
 Gulf Oil Corporation  
 Sun Oil Company  
 Phillips Petroleum Company  
 Union Oil Company of California  
 Barnsdall Refining Corporation  
 Continental Oil Company  
 Humble Oil & Refining Company  
 Magnolia Petroleum Company  
 Standard Oil Company of California  
 Consolidated Oil Corporation  
 Standard Oil Company of Louisiana  
 Signal Oil & Gas Company  
 Skelly Oil Company

Paragraphs of the letters are assembled under the following general classifications:

1. 83% of the Retail Outlets controlled.
2. Force Retail Outlet owner to sell only Major Oil Company's products
3. Coercive methods employed to exclude competitive products.
4. Abuse of power of concentrated money.
5. Consumer demand denied.
6. Nationally advertised brands in demand by consumer.
7. Methods of obtaining agreements for exclusive dealing arrangement.
8. Threats employed to force an agreement.
9. Free and open market conditions prior to agreement.
10. Consumer can no longer freely buy his favorite product.
11. Control of additional products retailed at service station after owner proves the added lines are profitable.
12. Independents forced to abandon selling efforts.
13. Threats that force compliance.
14. Equipment installations.
15. Price fixing.

16. Concerted group action to exclude nationally advertised brands.
17. Type of equipment grants and veiled domination behind them.
18. Credit extensions excessive.
21. Prevent and restrain competition.
25. Bootlegging nationally advertised brands.
26. Service station owner must defend his own business.
27. Seizure of distributor's function by Major Oil Company.
28. Obstructions to commerce of competitors.
29. Elimination of all independent business men.
30. Sell at a loss to defeat a profitable independent.
31. Majors build their own retail outlets.
32. The Social Security Act and contract changes ensuing.
33. Absorbing wholesalers function.
34. Unemployment increased by centralizing distribution function.
35. Courtesy card cancellation threats.
36. Small business man waging a handicapped fight.
37. Technicality of legal terms employed as a license to persist in practices.
38. Power extends to control over sources of public information.
39. Accessory sales dominated by Major Oil Companies.
40. Forcing consumer acceptance of Major Oil Companies' products.
42. Reciprocal business practices.
43. Social Security benefits denied employees.

The break-down of the letters segregates by classification the practices complained of. The letters from which these paragraphs were taken were received from distributors throughout the United States.

The letters present a plain story of the Individual Distributor regarding practices that are forcing him out of business.

The statistical analysis of Table 3 indicates the degree to which these practices have curtailed business, but these letters set forth more plainly than a statistical analysis could the manner in which the practices of the Major Oil Companies affect the Independent Producer and Refiner, the Independent Distributor and the ultimate consumer of motor fuel and motor lubricant products.

The following excerpts are selected from Section LB, Pages 1 to 72, as typical examples of distribution by Aggressive Acts versus Distribution by fair competition of salesmanship:

Page LB-6-Exhibit L-32.3: "When they found our gear lubes in his station, either by persuasion or threat, they forced him to return the grease. Of course this means no further outlet for our grease at his station. This is a desirable location and should be good for at least 300 gallons of oil and as many pounds of grease each year. It was a new account this spring so we had had no precedent for his gallonage."—Maine.

LB-13a-Exhibit L-68.7: "Their policy now seems to be that the major oil company leases the station from the owner, which station they in turn lease to an operator for 1¢ per gallon on the sale of gasoline. When we approach the operator and try to sell him our product, we are told in every instance that the major oil company will not permit them to handle our product or display any sign advertising any other merchandise than that sold by that particular major oil company.

We have not seen a recent contract which the major companies use, but whatever it is, works just as conclusively in closing the outlets to independent oil companies as the old lease and agency contract."—Virginia.

LB-14-Exhibit L-34.8: "In September 1938 the Gulf Refining Co. representative objected to me selling Kendall Oil for which I have a very good demand and many regular customers. They threatened to build a station next to mine if I did not discontinue the sale of Kendall and sell their products exclusively. I felt that it would hurt my business if I discontinued the sale of Kendall and I do not feel as though I could stand their competition as there are now so many Company stations that our gallonage has been greatly reduced."—Maine.

LB-16a—Exhibit L-66.8: "These individuals are financially responsible (not the major oil companies) for the conducting of their business. They

must buy and sell at their own risk, pay the city privilege tax., etc., and in general relieve the major gasoline company of any and all financial responsibility, yet they are given to understand by salesmen and others in authority, that they must buy and sell only the products of the major company with whom they are connected."—Arkansas.

LB-16a—Exhibit L-66.8: "Next call dealer tells me that the Major Company representative have told him if they can't get the cooperation from him they feel they should have, they will build a Station next to him and put him out of business."

It is difficult, perhaps even impossible to get a written statement or testimony from these dealers regarding this situation. The reasons for this are obviously because they realize that to do so would probably mean that they would be ousted by the major company.—Arkansas.

LB-22—Exhibit L-30.13: "In soliciting oil business from so-called 100% gasoline service stations leased from major oil companies or handling one brand only of gasoline, our salesmen report a market closed to them on account of fear of the dealer of reprisals from the major companies should they handle a competing brand of oil."—New York.

LB-40—Exhibit L-49.25: "This has resulted in the dealer being forced to remove all Quaker State advertising, and in those cases where he sells Quaker State at all, he does it by keeping it hidden so that the major company representative will not see it."—Vermont.

LB-42a—Exhibit L-70.26: "Our salesmen all bring in the same story—it is fear of losing their lease if they handle our merchandise."—District of Columbia.

LB-44b—Exhibit L-65.27: "The whole thing resolves itself into this—instead of a free open market we have one where the major operators, through fear and deception control the business in a large percentage of the cases."—Kansas.

LB-51—Exhibit L-37.33: "A major oil company salesman (Standard Oil Company of N. J.) recently boasted to the writer that you cannot and will not see any other motor oil in our (Standard) customers service stations. And he is absolutely right. There isn't any."—New Jersey.

LB-65a—Exhibit L-62.38: "Mr. Reed was recently put off the radio here on account of his vicious attacks on the methods they employ in merchandizing their products."—Tennessee.

LB-66—Exhibit L-17c.39: "The restraint on these controlled outlets extend even to such items as tires, tubes, batteries, accessories and even to as small an item as anti-freeze."—Virginia.

LB-71a—Exhibit L-80-80c.42: "During the past year the expanding use of major company credit cards has served to make inroads into the small portion of independent business remaining to me. Lately, the reciprocal interchange of credit card facilities between groups of major oil companies has increased this tendency. A consumer may prefer independent merchandise, but he is pressured into buying the products of monopoly thru methods available only to monopoly."—Arizona.

The use of threats, coercion and intimidation as a means of controlling the distribution of products to the ultimate consumer have little place in sound selling methods. The distribution function is to supply the ultimate consumer with the product that he demands. The sole object and purpose of manufacturing a product is to make available to the market the products that the consumer wants.

That there is a definite demand for motor oil other than those of the Major Oil Companies, is indicated by the following reports from four separate field surveys. These surveys were made by three separate organizations and no doubt the field work sampled different localities throughout the country. The reports indicate that from 19% to 23% of the automobile owners prefer and demand the products of those Independent Producers and Refiners whose brands are denied distribution through over 83% of the Service Stations by Major Oil Company groups of competitors who dominate non-company owned retail outlets.

## WHAT BRAND OF OIL DO YOU USUALLY BUY?

Meredith Publishing Co., Des Moines, Iowa

NOVEMBER 15, 1937.

	Number	Percent		Number	Percent
Own cars.....	1,609		Percentages are based on the		
Did not answer.....	297	18.46	1,609 who own cars:—Contd.		
Replied to the question.....	1,312	81.54	Sinclair (Major).....	35	2.67
Percentages are based on the			Conoco (Major).....	33	2.52
1,609 who own cars.			Veedol (Major).....	30	2.29
Quaker State (Independent).....	115	8.77	Socony (Major).....	25	1.91
Pennsylvania (Both).....	105	8.00	Phillips (Major).....	22	1.68
Mobiloil (Major).....	96	7.32	Cross Country (Major).....	21	1.60
Standard (Major).....	84	6.40	Havoline (Major).....	18	1.37
Shell (Major).....	65	4.95	Any, all kinds.....	51	3.89
Gulf (Major).....	62	4.73	Other brands were mentioned		
Texaco (Major).....	62	4.73	less frequently.		
Pennzoil (Independent).....	56	4.27	Percentages are based on the		
Kendall (Independent).....	54	4.12	1,312 who replied to the ques-		
Iso-Vis (Major).....	40	3.05	tion.		
Sunoco (Major).....	38	2.90		1,012	-----

## WHAT BRAND OF MOTOR LUBRICATING OIL DO YOU USE?

American Weekly Survey (1938)

Brand	Total replies from all States in U. S.	Percent	Brand	Total replies from all States in U. S.	Percent
Quaker State (Independent).....	8,986	8.23	Socony (Major).....	1,759	1.61
Mobiloil (Major).....	8,966	8.21	Atlantic (Major).....	1,662	1.52
Pennsylvania <sup>1</sup> (Both).....	7,993	7.32	Conoco (Major).....	1,654	1.52
Texaco (Major).....	7,054	6.46	Sears Roebuck (Major).....	1,609	1.47
Gulf (Major).....	5,962	5.46	Richfield (Major).....	1,591	1.46
Pacific Coast Brands.....	5,377	4.94	Phillips (Major).....	1,178	1.08
Standard (Major).....	5,376	4.93	American (Major).....	1,158	1.06
Pennzoil (Independent).....	5,037	4.61	Cities Service (Major).....	1,093	1.00
Shell (Major).....	4,897	4.49	Standard Polarine (Major).....	916	.84
Esso Essolube (Major).....	4,132	3.79	Penn State (Independent).....	823	.75
Sunoco (Major).....	3,730	3.42	Wolfs Head (Independent).....	744	.68
Sinclair (Major).....	3,719	3.41	Hyvis (Independent).....	527	.48
Veedol (Major).....	3,218	2.95	Valvoline (Independent).....	475	.44
Kendall (Independent).....	3,094	2.83	All others.....	11,605	10.63
Standard Iso-Vis (Major).....	2,983	2.73			
Havoline (Major).....	1,835	1.68	U. S. Total.....	199,153	100.00

<sup>1</sup> It must be remembered that where "Pennsylvania" is mentioned, if this number were broken down into brands, by far the largest percentage would be QUAKER STATE users.

## SCRIPPS-HOWARD NEWSPAPERS, SURVEY—FALL OF 1937

Brand	Replies	Percent	Brand	Replies	Percent
Standard (all companies) (Major).....	5,120	14.9	Cross Country.....	822	2.4
Gulf (Major).....	3,084	9.0	Purol (Major).....	798	2.3
Quaker State (Independent).....	2,087	6.1	American (Major).....	554	1.6
Mobiloil (Major).....	2,052	5.9	Atlantic (Major).....	509	1.5
Sunoco (Major).....	1,530	4.5	Cities Service (Major).....	384	1.1
Pennzoil (Independent).....	1,347	3.9	Union 76.....	362	1.1
Shell (Major).....	1,262	3.7	Richlube (Major).....	331	1.0
Texaco (Major).....	1,237	3.6	Others.....	6,799	26.1
Kendall (Independent).....	1,205	3.5			
Havoline (Major).....	1,143	3.3		31,537	-----
Sinclair (Major).....	911	2.7			

The Meredith Publishing Company's survey indicates a total of 1,012 answers. Eliminating from the 1,012, the 51, classified as "any and all kinds" leaves 961 consumers who definitely expressed their preference for the products of Independent Producers and Refiners of motor oil.

The American Weekly Survey indicates a total of 109,153. Eliminating "all others," 11,605, and Pennsylvania, 7,993, since the identity is not disclosed as either independent or major, 89,555 consumers expressed their preference for motor oil. Of the 89,555,—16,686, or 22%, expressed their preference for the products of Independent Producers and Refiners of motor oil.

Scripps-Howard Newspapers Survey, Fall of 1937, indicates a total of 31,537. Eliminating "others" 6,799—24,738 consumers definitely expressed their preference for motor oil. Of the 24,738, 4,639, or 19%, expressed their preference for the products of Independent Producers and Refiners of motor oil.

The demand exists for products of these Independent Producers and Refiners. The outlets through which consumer demand is supplied are the Service Stations and Garages.

The control of the retail outlet of distribution controls the sale of products to the consumer. The exclusion of the brand of products in demand from the retail outlets forces consumer acceptance of products other than those of his own choice.

The Independent Producer, Refiner and Marketer has suffered the loss of business. His products have been forcibly ejected from the Automobile Service Station and Garage, yet he must attempt to satisfy consumer demand. He must endeavor to realize upon the expenditure in national advertising. He must fight to survive in spite of the arbitrary restraints of the Major Oil Company Group of competitors.

To supply consumer demand, the Independent Producer and Refiner has packaged his product to enable retail outlets, such as grocery stores, hardware stores, mail order houses and department stores, to sell cans and buckets of motor oil to the consumer.

Other Retail Outlets carry a diversified line of various types of products in order to meet the consumers' demand and choice of product.

Practical Retailing experience would recommend that the Service Station and Garage retailer have and enjoy the same liberties of making money as other Retail Operators.

Through the exclusive dealing arrangement, the Service Station and Garage dealer is not permitted to compete for motor oil business. The agreement with the Major Oil Company forces him to carry and sell but one line of motor oil products. He is thus forced to "high pressure" the consumer into buying the one motor oil product he sells.

High pressure selling has proved to be effective. The analysis of Tables 1 to 5, inclusive, indicate the results in loss of business to the Independent Producer and Refiner.

However, the surveys analyzed above indicate that during the years of the intensified drive of the Major Oil Company Group of competitors, a persistent group of consumers demanded the Independent Brands of Motor Oil. Should the Service Station and Garage Operators be restrained from competing for the business represented by this group of consumers? A free and open market will permit them to compete for the business of the insistent consumer who wants Independent Brands of motor oil.

The closing of a free and open market restrains the Independent Producer and Refiner from distributing his products and participating in the profitable business of supplying the consumer demand.

Consumer demand for motor fuel and motor lubricant products has increased greatly so that today the products distributed by the Retail Outlet occupy, in the estimate of the consumer, the rank of first importance among the necessities of life.

The study appearing in the Cleveland Trust Company Business Bulletin, February 15, 1935, graphically presents the relative importance of various consumption products generally classified as necessities by the consumer.

An examination of the analysis of the Distributors' complaints brings to the fore the manner in which the size of an organization and the supposedly unlimited amounts of money that are available for use in the execution of its practices can be effectively used to intimidate the small business man who has his life savings invested in his business.

To the small business man the loss of his small business means the loss of his total investment.

An analysis of the statistical data presented in the questionnaires and an analysis of the paragraphs in the "LB" section indicate that the small business man feels that he is made to submit or else lose his business.

#### STATISTICAL ANALYSIS OF THE RETAIL MARKET

The sources of figures available for a study of the trend of growth in numbers of the service station and garage are the following:

Fifteenth Census of the United States, 1930. Retail Distribution.

U. S. Department of Commerce, Bureau of Census, Retail Distribution  
Volume No. 1, U. S. Summary 1933.

Retail Trade Survey Census of Business 1935, U. S. Department of Commerce, Bureau of Census.

Tables 20-28, Statistical Section, presents the figures of the three census enumerations for comparison by states.

Percentage of Increase and Decrease in the number of Retail Outlets is indicated for each state.

The sales in dollars for each state indicate the volume of business of the Filling Station.

The column headed "Average Business per Station" indicates the average dollar sales of each Filling Station.

The study of these tables in connection with the findings presented in Tables 1 to 5 indicate the dollar business that is involved in exclusive control of product distribution by each Major Oil Company.

Nationally the dollar sales of Filling Stations is reported as \$1,967,714,000.00 for the year 1935. This total broken down by states ranges from a figure of \$2,464,000.00 in Nevada to a figure of \$157,211,000.00 in New York.

The average dollar business per Filling Station ranges from a figure of \$1,171.00 per Filling Station in Oklahoma to \$33,336.00 per Filling Station in Washington, D. C., with an average for the United States of \$9,960.00 per Filling Station.

In 2 States the average dollar business is \$6,000.00 and over.

" 7	"	"	"	"	"	"	7,000.00	"	"
" 8	"	"	"	"	"	"	8,000.00	"	"
" 8	"	"	"	"	"	"	9,000.00	"	"
" 7	"	"	"	"	"	"	10,000.00	"	"
" 9	"	"	"	"	"	"	11,000.00	"	"
" 4	"	"	"	"	"	"	12,000.00	"	"
" 2	"	"	"	"	"	"	13,000.00	"	"
" 1	"	"	"	"	"	"	14,000.00	"	"

Referring to Tables 1-5, inclusive, 85 Distributors in 26 states account for, by name and address, 1,512 Retail Outlets that the Major Oil Company group of competitors have gained control of since the above census report.

Table 1 indicates that an intensified drive was made for control of Retail Outlets during 1936 to and including the first quarter of 1939.

It appears from the following analysis that over 85%, conservatively, of the Retail Outlets are now controlled by the Major Oil Company group of competitors.

The other source of statistical data is contained in a report on marketing facilities to Congressman Wm. P. Cole, Jr., Chairman of the Sub-committee of the Committee on Interstate and Foreign Commerce, House Resolution 441, dated March 20, 1935. Tables 30-31.

Tables 20-28, Statistical Section, present the figures of the Bureau of Census on Filling Stations and Garages for the years 1929, 1933 and 1935. Figures are furnished by the companies reporting for each of the calendar years 1930 to 1934 (Tables 30-31). The comparison of the Bureau of Census's figures and the report of the Sub-committee of the Committee on Interstate and Foreign Commerce of the companies reporting on Filling Stations and Garages for those years covered by the three census's taken, indicate the following:



Bureau of Census:		
Filling Stations, 1930.....	121, 513	
Garages, 1930.....	66, 973	
Total .....	188, 306	
Reported by Companies, 1930.....	163, 628	
Percentage controlled by the companies reporting.....		86. 9
Bureau of Census:		
Filling Stations, 1933.....	170, 404	
Garages, 1933.....	86, 454	
Total .....	256, 858	
Reported by Companies, 1933.....	214, 815	
Percentage Controlled by the Companies reporting.....		83. 6
Bureau of Census:		
Filling Stations, 1935 .....	197, 568	
Garages, 1935.....	66, 243	
Total .....	263, 811	
Reported by Companies, 1934.....	219, 382	
Percentage Controlled by the companies reporting.....		83. 2

The letters from Distributors contain varying estimates of the percentage of control in their territory, viz (See LB-1):

New York.....	75%
Pennsylvania.....	85%
Maine.....	81%
Wisconsin.....	85%
Virginia.....	75%

Theoretical formulas might be developed to indicate the percentage of control of the Retail Outlets. However, the formulas would remain an estimate. An accurate census of the Filling Stations would produce factual data but aside from perfecting numerical data, the situation would not be affected.

The statistical data presented above is supplied for the purpose of indicating the business from which the Independent Distributor and Jobber is barred from in competing for a share of the money the consumer will spend annually for motor fuel and motor lubricants.

A market represented by a consumer expenditure during 1935 of \$1,767,714.-000.00 is monopolized by the marketing practices of the Major Group of Oil Company competitors.

A market in each locality of from \$6,000,000 to \$11,000,000, in statistical terms of "median" per Retail Outlet is closed to free competition for the local Distributor and Jobber, the small business man.

In the light of this presentation of the findings of this survey, an explanation of the movement of the creation of State Barriers seems to be supplied.

The following reproductions of letters from individuals and organizations close to the problem of state barriers lend force to this observation.

Further, the comments contained in Exhibit "N", Report II—Confidential Bulletin No. 30 lends further support to the observation.

Orderly market conditions require that governmental action be employed to maintain a free and equal opportunity for free competition in the relationship of the Independent Producer and Distributor and the Major Oil Company group of competitors.

The market for free competition exists as a market of competition of concerted action on the part of groups of competitors. The observations indicate that this restricted competition is not producing orderly market conditions.

Action by Governmental Departments seems essential. The data accumulated and presented in this report indicates that control of Retail Outlets is approaching a complete absorption of the remaining Independent Service Stations and Garages. The methods now being applied employ acts of force to thoroughly eliminate the Independent from the market.

OFFICE OF THE EXECUTIVE DIRECTOR  
FEDERATION OF TAX ADMINISTRATORS  
1313 EAST SIXTIETH STREET

*Chicago, Illinois, May 24, 1939.*

Mr. ADAM DONALD,  
8 East 46th Street, New York, New York.

DEAR MR. DONALD: The best answer I can give to the inquiry contained in your letter of May 20 is: both. To what extent each factor is operating and which came first varies from place to place and would be difficult to answer in any case. I did not quite get the full implication of your quotation from the American Petroleum Industries letter, as I do not understand precisely what kind of bill was involved and how it was regarded as a state trade barrier.

The Council of State Governments, which was responsible for a very excellent conference on Interstate Trade Barriers held in Chicago on April 5, 6, and 7, might be interested in your inquiry and I am therefore forwarding a copy of your letter and my answer to Frank Bane, Executive Director of that organization.

Sincerely yours,

ALBERT LEPAWSKY,  
*Executive Director.*

LEGAL STEPS TAKEN BY THE INDEPENDENTS

The analysis presented in this report indicates the loss of business suffered by Independent Producers and Refiners as year by year the Major Oil Companies increased their control over a larger and larger number of service stations.

The monopolistic tactics of the Major Oil Companies have been complained of and in observing the history of the legal steps taken as outlined in the section of this report—"History of Legal Steps and Complaints"—the impression is definitely gained that the loss of business has been due not to any laissez of the Independent Producers and Refiners, but rather to the delays incident to hearings and rulings on fine points of law.

The History of Legal Steps may be briefed as follows:

1926: Federal Trade Commission considering the legal aspects of the exclusive dealing arrangements.

The Lease and Agency type of contract was first under question of governmental authorities during 1926. An investigation and report was submitted by the Federal Trade Commission, Senate Document 61, 70th Congress, First Session, in response to a senate Resolution 31, 69th Congress, First Session, June 3, 1926. *No enacting legislation followed this investigation.*

1931: Pennsylvania Grade Crude Oil Association files complaints before the Federal Trade Commission.

Pennsylvania Grade Crude Oil Association during 1931 applied for the issuance of a complaint against the Major Oil Companies attacking the practices of making the so-called Lease and Agency contracts before the Federal Trade Commission. During 1932, the Federal Trade Commission began investigation of the Lease and Agency methods of marketing petroleum products.

October 1933: Federal Trade Commission's Chief Counsel reports his opinion of violations of existing legislation.

Though a memorandum has been issued for the Federal Trade Commission on the subject of Lease and Agency, Lease and License methods of marketing petroleum products by Chief Counsel, Robert E. Healy, yet no action in the form of relief issued from this investigation due principally to the enactment during 1933 of the National Industrial Recovery Act.

The practices engaged in by the Major Oil Companies were considered as a violation of existing law in this opinion. No action was taken in the form of orders of cease and desist or of rulings of cause for complaint. The findings of the investigation were not acted upon, and the entire situation was left to the Code of Fair Competition to be developed by the National Industrial Recovery Administration. Members of associations and of the industry applied themselves to the formulation of a Code of Fair Competition for the Petroleum Industry. The Lease and Agency contracts were the point of greatest controversy in reaching a final agreement on a Code.

Finally, in order to get the code adopted, a compromise rule was agreed upon, which empowered the President or the administrator to call upon the Federal Trade Commission to report its findings as to whether either the Lease and Agency or Lease and License methods of marketing petroleum products constitute an unfair trade practice. The Code was signed by the President, August 19, 1933.

Under date of November 1, 1933, the Honorable Charles H. March, Chairman of the Federal Trade Commission, directed a letter to General Hugh S. Johnson, Administrator, National Recovery Administration, and attached to the letter a memorandum for the Commission submitted by Robert E. Healy, Chief Counsel.

The Honorable Harold L. Ickes, Administrator of a Code of Fair Competition for the Petroleum Industry, under date of March 4, 1935, rendered a decision on certain provisions in the Lease and Agency and Lease and License forms of exclusive dealing arrangements. (LS—page 19, 1) On the same date the Honorable Harold L. Ickes directed a letter to the Honorable Ewin L. Davis, Chairman of the Federal Trade Commission, requesting advice concerning any findings made or action taken pursuant to the subject of his communication.

Under date of April 9, 1935, the Honorable Ewin L. Davis, Chairman of the Federal Trade Commission, directed a letter to the Honorable Harold L. Ickes in regard to exclusive dealing contracts and distribution of motor fuels in which the Honorable Ewin L. Davis points out to the Administrator of the Petroleum Administration:

"The Administrator operates under a statute which specifically and in contrast with anti-trust laws negatives a design to 'eliminate or oppress small enterprises' or 'to discriminate against them' and which confers broad discretionary authority. He is not constrained by the above considerations of law and has already, in order of March 5, banned the methods in question as to the marketing of petroleum products other than gasoline and motor fuels. We assume that his fourth question relates to the use of these methods as employed in the distribution of gasoline and motor fuel only."

"The Commission concurs with the Administrator as to the importance of a further investigation in order to ascertain the effect of these practices on the Independent Oil Companies' trade in the latter products."

March 20, 1935: Report on Marketing facilities to the Sub-Committee of the Committee of Interstate and Foreign Commerce, showing, 184,338 non-company owned service stations supplied on 100 per cent basis by the Major Oil Companies.

May 28, 1935: The National Industrial Recovery Act was ruled unconstitutional on May 28, 1935, and therewith ended the Code of Fair Competition for the Petroleum Industry. It will be noted that from 1926 to 1935 practices were engaged in and were permitted to persist regardless of the results that they were producing upon the business of the Independent Producers and Refiners of Pennsylvania Grade Petroleum products.

By not being interfered with in their practices, the Major Oil Companies have exerted greater coercive pressure upon the Independent business man operating the retail service station outlet. Today retail outlets—service stations, originated and started by the enterprise of an individual business man in 1907, an outlet which grew in numbers to 197,568 service stations in 1935, and for the most part under the monopolistic control of a group of oil producers and refiners generally termed "the Major producers and refiners."

June 1936: Final Report of the Marketing Division of the Petroleum Administrative Board.

Planning and Coordination Committee had submitted its recommendation on May 25th. This recommendation was never acted upon by the Administrator.

June 1936 to date: Twelve years after the first investigation, the Independents find no legislation enacted or enforcement measures of existing legislation employed to arrest the marketing practices of the Major Oil Companies. Their business has been reduced as a result of the closing of the majority of the Service Stations as retail outlets for the distribution of their products.

In the case of the Independent Producers and Refiners of motor fuel and motor lubricant products, lack of enforcement has been due to an accumulated series of circumstances.

The section in this report, History of Legal Steps, is included as a part of our analysis in order to emphasize that though the conditions existing today have been created by a lack of enforcement in the past, the lack of enforcement

is not due to laissez on the part of the Independent Producers and Refiners of motor fuel and motor lubricant products and particularly of the producers and refiners of Pennsylvania Grade Crude Petroleum.

The History of Legal Steps traces the series of accumulated circumstances that have contributed to deferring action to maintain a free and open market.

Report II, Exhibits A to P, supply excerpts from Documentary Publications and copies of briefs, memorandums, decisions and opinions.

The History of Legal Steps in this report and the Exhibits A to P, Report II, has assembled the material produced by investigations during a period of twelve years. The data represents the accumulated result of many undertakings and investigations.

The time, effort and work has produced data that shows that the marketing practices uncovered are considered as either infringements or violations of existing legislation.

Without presuming to discuss the legal aspects of the matters involved, a practical procedure, from a marketing point of view, would be to remove the conditions imposed upon the Retail Distribution of motor fuel and motor lubricant products and permit the marketing practices generally existing in retailing other products to the consumer to function.

The establishment of general retailing practices as the method for distribution of motor fuel and motor oil products would remove the restraints now imposed upon free enterprise.

#### THE IMPORTANCE OF THE INDUSTRY OF INDEPENDENT PRODUCERS AND REFINERS OF PENNSYLVANIA GRADE CRUDE OIL

Pennsylvania Grade Crude Oil is generally recognized as containing the most valuable lubricating oil content of any of the crude oils produced in the United States.

This grade of oil is produced in western Pennsylvania, western New York, West Virginia and southeastern Ohio, and constitutes one of the most valuable natural resources which the country has.

In the state of Pennsylvania this grade of oil is produced in 18 counties; in Ohio, in 20 counties; New York, in 3 counties; and West Virginia, in 26 counties.

In the region mentioned there are approximately 140,000 producing wells, having an average daily production of about one-half barrel per well per day.

The Pennsylvania lubricating oils are sold throughout the United States and in many foreign countries, and are regarded generally as being of the highest quality.

The number of men engaged in drilling, production and the manufacture of Pennsylvania Grade Crude oil and its products exceeds 20,000; the annual payroll is estimated at \$25,000,000.00.

In a normal year some 5,000 new wells are drilled in the Pennsylvania region. Purchases of new equipment and replacement of equipment by Producers amount to more than \$1,000,000.00 annually. Carload shipments of petroleum products originating in the Pennsylvania oil region amount to 100,000 to 110,000 annually.

Substantially all of the Pennsylvania Grade Crude Oil production is in the hands of the Independent Producer.

The industry dates from the original discovery of oil in the United States which was in Pennsylvania in 1859.

The industry is an important and valuable asset to national economy and the contribution it makes to industrial production requirements is that of producing an oil with a most valuable lubricating content.

The Pennsylvania Grade Crude Oil is so designated because the principal fields of paraffin base oils are located in the Appalachian region. Oils with a paraffin base as distinguished from oils with an asphalt base are generally required and demanded when the best lubricant available is essential for lubricating performance.

Authoritative opinions as to underground reserves of Pennsylvania Crude Oil indicate that production from the field will continue long after many of the flush fields are exhausted.

It is important therefore that what is known as the Pennsylvania Industry be kept in active operation.

The assembled data presented in this report provides the basis for the conclusions appearing in the section "Summary and Conclusions."

The approach to the inquiry of marketing practices was strictly that of determining factual conditions. The data presented is the material gathered and the presentation is of actual findings.

More extensive data might have been accumulated had time permitted; however, the questionnaires and letters present, in our opinion, a very fair cross-section of the marketing practices in the Retail Distribution of Motor Fuel and Motor Lubricant products.

We feel it necessary to say that the treatment of the legal complications is far afield of the marketing consultant's normal functions, and add that our presentation of the material contained in the Section of "History of Legal Steps and Complaints" should be regarded as entirely from the viewpoint of practical marketing experience.

Further, we felt it advisable to include the comments regarding State Barriers since our first hand contact with the conditions reported noted a temper among the Independent Distributors inclined to resort to the organization of state groups for the enactment of state laws which will, first, protect their own standard of living, second, the homes and standards of living of the people in their community; third, guarantee the circulation of the money turnover in localities that makes for prosperous times in their own locality.

Supplementing the questionnaires and letters forwarded to our office, Distributors have supplied copies of letters to:

Senators, Representatives, The Department of Justice, The Federal Trade Commission and to Senator Joseph C. O'Mahoney, Chairman of the Temporary National Economic Committee.

Photostat reproductions of the copies of these letters are included in Report II Exhibits.

### DISTRIBUTORS' COMPLAINTS

By "exclusive dealing arrangements" the Major Oil Companies control, on a fair estimate, in excess of 83% of all service stations, outlets for motor fuel and motor lubricant products.

We find it is impossible for us to answer the questions intelligently.

The situation complained of in the questionnaire occurred as far as our territory is concerned, back in 1929 thru 1932 or about that period. At that time the major oil companies signed up as many independent stations as possible to handle their products exclusively.—Texas, Exhibit L-3.1.

There are in the city of San Antonio approximately 175 lease agreement stations that are controlled by the above mentioned major companies and these stations for the most part represent the best locations in the city and positively prevent the independent distributors from selling any one of such stations and, of course, the few independent retailers that are left offer a very small field for the smaller independent distributors.—Texas, Exhibit L-43c.1.

We have checked over our territory and find in the city of Watertown approximately 75% of the retail outlets for gasoline and oil are owned or controlled by major oil companies.—New York, Exhibit L-39.1.

In 1936 we would say there were approximately 75% of these accounts in our territory operating independently. Today, 85% of all accounts are controlled by major companies.—Pennsylvania, Exhibit L-36.1.

For a number of years the major companies concentrated heavily on selling the independent gasoline retailers. They were so successful that today very little motor oil other than that sold by the major companies is dispensed by these dealers.—New Jersey, Exhibit L-37.1.

According to the latest figures we have, about 81% of the gasoline sold in this state is supplied by the major companies. Of the remaining 19% very nearly all is sold by so-called independent large buyers who are so closely tied up with one or other of the major companies as to make gasoline sales in this state nearly 100% major company deliveries.—Maine, Exhibit L-32c.1.

It is our experience that 85% of the service station outlets are closed to us and consequently are not worked by this company at all. I might cite one or two main arteries in Milwaukee proper.—Wisconsin, Exhibit L-29.1.

As the number of these accounts was never great it required only a short time for the majors to practically clean up all of the outlets we had.

We have remaining approximately 35 gas station accounts in 43 counties which we cover on eastern and central Illinois and western Indiana.

These accounts have given us about 7% of our total volume. The largest one purchased exactly 700 gallons last year and only two were above 500 gallons. Thirty of these accounts purchased less than 200 gallons.—Illinois, Exhibit L-25.1.

\* \* \* major oil company tactics which were started by them June 1st of 1936 in this territory to restrain the sale of independent oils and at which time I predicted their eventual monopoly of service station outlets for their products. They have continued this procedure since that time and their plan has been a complete success to eliminate the sale of independent oils thru service station.—Oregon, Exhibit L-19.1.

Ten or fifteen years ago, the percentage of independent filling stations in this territory was about 75%. Today it is reversed. The producing companies have about 75% of this business.—Virginia, Exhibit L-18.1.

It is practically impossible on this short notice to give you the information of the entire territory as you desire.

We wish to state that the grease and oil marketing outlets in the territory which we cover are owned and controlled by the major gasoline marketers to the extent of 75% of the total gallonage on motor oil and 90% on gasoline.—Virginia, Exhibit L-17c.1.

It is very evident that major oil companies are more active today in controlling or monopolizing gasoline and oil outlets than ever before. I notice that in the area in which I work they have gone so far as to put pressure on the so-called storage garage to whom the gasoline and oil business is a small factor. It seems that the major having almost completely gained control of the independent service station (with whom they have a contract for gasoline and oil, and of course 100% control of their so-called company owned stations which in the majority of cases are leased) their next step has been to take over garage outlets.

In many suburban towns, we do not have a single gasoline station outlet. They are all controlled by the majors.—Massachusetts, Exhibit L-4.1.

This leaves about 90% of the stations and garages in this territory controlled by the major oil companies.—Washington, Exhibit L-63.1.

As you already well know we are continually losing accounts to the Majors thru their leases and other methods in inducing the Dealers to handle their products exclusively, but I would not care for that if there were other outlets to take their place which there are not.—Exhibit L-60.1.

The latest information available shows that approximately 80% of the gas stations in the District of Columbia are either company owned or operated, or operated under a 100% lease. The largest single group is controlled by Standard Oil of N. J., and of the one hundred and forty 100% Standard Stations, they operate but one.—District of Columbia, Exhibit L-70.1.

The five cases as outlined are examples of how the majority of the 499 100% outlets have been acquired in the District of Columbia.—District of Columbia, Exhibit L-73.1.

It is possible that we of the Stanfill Company could list at least one hundred motor oil outlets that are anxious to buy and sell our products if their gasoline suppliers would allow them to do so. However, it would take a week or two to get the necessary information together.—Kentucky, Exhibit L-77.1.

This makes three stations in the immediate territory I have lost in the last year from the same tactics.—Georgia, Exhibit L-79.1.

Due to this practice there are thousands of gallons of potential business that we could and would get if this were not the case.—Virginia, Exhibit L-81.1.

With regard to Total % Gasoline business in Territory would say that when viewing the fact that 80% of the gasoline dealers whom we sell are

100% controlled this in itself establishes the fact that the larger % of the business of our territory is being done by the controlled stations. From observation and information while making contacts it is our belief that approximately 35% of the dealers in the area which we serve are doing by far the larger % of the business. Of the 35% doing this volume, according to our records, about 87% to 90% are 100% controlled.—Pennsylvania, Exhibit L-82c.1.

\* \* \* by the Washington Post. "Washington, D. C., 16th in the number of gasoline retail outlets, totaling 619, of which 499 are 100% controlled outlets, 41 controlled co-ops, leaving 79 open to competitive business, or approximately 13%."—District of Columbia, Exhibit L-73c2.1.

That the Major Oil Companies so control the Service Stations that the motor fuel and motor lubricant products of the particular Major Oil Company in control are sold *exclusively*.

Capitol Drive, U. S. Highway #16: On this street are 22 outlets for gasoline and oils. Only 4 of them are open to independent solicitation, the others are either owned or controlled by major oil companies.

Oakland Avenue is a north and south street running from mid-town to the north limits, a distance of 6 miles. It is a service business street and has 15 outlets, 3 of which are available for solicitation, and those three being garages.

U. S. Highway 41: On this highway within the Milwaukee limits are 45 drive-in service stations and only 4 of these can be classed as free independents, open to solicitation by marketers like ourselves.—Wisconsin, Exhibit L-29.2.

I have operated a wholesale lubricating oil business in Kansas and part of Missouri for the past fifteen years and have seen the trade change from a free open proposition to about a 50% closed deal, due to trick leases and fear, of the gasoline supplier.—Kansas, Exhibit L-65.2.

A considerable number of Standard Oil (Indiana) Station operators were handling Pennzoil prior to the consumation of the Standard-Quaker State alliance, but were informed that they would have to discontinue handling Pennzoil and take on Quaker State.—Iowa, Exhibit L-64.2.

At Wenatchee the North Central Chevrolet Co. recently changed locations and the Stand. Oil Co. spent better than \$700.00 in decorating their building for 100% contract over a period of time.—Washington, Exhibit L-72.2.

I find it much harder to sell stations now than I did in 1937 as at that time there were more independent stations as so many have been taken over by the major oil companies due to indebtedness to the gasoline supplier and a number of other methods used by the Majors to compel a dealer to sell only their products.—Minnesota, Exhibit L-74.2.

Atlantic Refining Company leased them one of their company owned stations on S. 3rd St., Easton, providing they would go 100% Atlantic at their own location on N. 3rd St.—Pennsylvania, Exhibit L-82.2.

This station is now operated by Mr. Hollohorn, who informed me that I was too late, that he would have bought Quaker State Motor Oil from me the day before but could not do so at that time, for he had been up to the Wofford Oil Company's office to sign up the paper for the station and they told him he would have to continue selling Quaker State and to have the curb sign removed.—Georgia, Exhibit L-79.2.

Jensen Auto Service, Inc., West Hartford, Conn. Gallons of Motor Oil purchased from us: 1936, 398; 1937, 445; 1938, 92; 1939, None.

This account signed up with Socony Feb. 1938 and received an additional margin on oil for signing up.—Connecticut, Exhibit L-83.2.

The Major Oil Companies coercively force controlled Service Station operators exclude from sale the products of Independent Producers and Refiners.

I enclose herewith skeleton report for the territory which I cover.

To date we have not lost accounts to Major Oil Companies because they have had them tied up and would not let us get in on an initial basis. For this reason our records would not give you a true picture of this particular area.—Colorado, Exhibit L-21.3.

When they found our gear lubes in his station, either by persuasion or threat, they forced him to return the grease. Of course this means no further outlet for our grease at his station. This is a desirable location and should be good for at least 300 gallons of oil and as many pounds of grease each year. It was a new account this spring so we had had no precedent for his gallonage.—Maine, Exhibit L-32.3.

There is not a free and open market on petroleum products in this area, but so much reciprocity and pressure that is brought to bear on dealers and consumers alike cannot be put down in writing. One reason is that many statements which are made to us verbally could not be substantiated if the party who made them was asked to make the accusations in writing or as a witness at a hearing. There is a vast amount of intimidation that is verbal and without witnesses.—California, Exhibit L-51.3.

In fact, we know many dealers who would like to handle our products, and whom we would like to sell, but are prevented from doing so because those dealers realize that to do so would penalize their position with the major gasoline company with which they are connected.—Arkansas, Exhibit L-59.3.

To all intents and purposes these Operators are independent, yet they are definitely and specifically told that they expect them to handle only such products as can be purchased from the Company.—Iowa, Exhibit L-64.3.

Mr. Thompson, who is Texas Jobber in and around Brainerd, saw the Kendall at Lewis' Station and immediately wrote me that I would have to pick up at once the Kendall at his station and cancel the order I took from his station at Brainerd that he was not building stations for me to sell my oil through.—Minnesota, Exhibit L-74.3.

Then there is the case where leased stations are held by contracts to handle no other products than merchandise of the major company making the lease.—Nebraska, Exhibit L-71.3.

This account changed proprietorship and changed over to Sinclair. We lost the entire grease business and a good portion of the oil business. In 1936 they used 3413 lbs. of our grease and continued to use it in 1937 until the change.—Pennsylvania, Exhibit L-82c.3.

Of the independently owned outlets operating on 100% contracts with major companies none are allowed to purchase competitive products, and a very few who have not signed over their lease or are accepting monthly rentals, are so restricted that the gallonage from these few stations is insignificant.—District of Columbia, Exhibit L-73-c.3.3.

That all service stations, all car dealers, all garages are more or less signed by major oil companies; they either permit or prohibit independent oils to be sold in these places, as they choose according to the amount of business being done.—Virginia, Exhibit L-81.3.

The financial strength of the Major Oil Companies is employed to threaten the small business man who has all of his money invested in his business enterprise.

We do know that since the so-called "Iowa Plan of Marketing" has gone into operation that major competition has been much more troublesome than formerly.—Iowa, Exhibit L-75.4.

As time went on and various laws were passed to restrict such activities I thought I might still win back the business I had lost thru no fault of my own.—Arizona, Exhibit L-80.4.

H. H. Guilmart, 822 Maple Ave., Hartford, Conn.: Gallons of Motor Oil purchased from us: 1936, 817; 1937, 417; 1938, 242; 1939, 60.

This account signed up with Tidewater and received a cash payment for signing up.—Connecticut, Exhibit L-83.4.

The motor fuel and motor lubricant products of the Independent Refiners of Motor Oil, are forced off the market or the outlets therefore have been eliminated to such an extent that the consumer, the automobile owner, cannot obtain the product he demands.



So far as the question of merchandise display, we merely wish to state that in the accounts which we are reporting to you our merchandise was on display before their conversion to a competitive company. After the conversion we are not aware that our merchandise is sold or displayed in these accounts. Most assuredly where leases are involved a display of competitive merchandise is not permitted.—New York, Exhibit L-14.5.

While it is true that the major oil companies have testified under oath that these lease and agency stations are open for the solicitation of other oil companies, nevertheless it is impossible for not only ourselves but any other brand product to break in.—Wisconsin, Exhibit L-29.5.

Replying to your letter of April 26, \* \* \* the "close door" policy prevails with a dealer from his gas and oil supplier.

This "close door" policy has prevailed over a period of several years where oil companies control the lease, but there are instances where the lessee still has had permission to handle one premium oil.—Ohio, Exhibit L-9.5.

The following is an illustration of what happens to new accounts: Comeau, Watertown, Massachusetts, is a Tidewater station. They displayed a Kendall Rack and Sign for two weeks. When pumps needed repairing, the Major Company sent a repair man to put them in order. A few days later, a supervisor who obviously had a report from the repair man visited the station and ordered the sign and rack to be removed. We had to pick them up and return them to our stock, also the inventory that remained unsold.—Massachusetts, Exhibit L-40.5.

More recently the Tidewater Co. assisted with the purchase of the J. C. Thomas Motor Co. of Damariscotta. This account formerly yielded us 240 gallons of oil and 380 pounds of grease annually. The Tidewater Co. wants the new owners to discontinue Kendall Oils and Greases.

The manager of the Puritan Chevrolet Co. of Bath says he is well acquainted with the quality of Kendall products and would like to buy but is so tied up that he can handle only Standard Oil Co.'s.—Maine, Exhibit L-32.5.

This practice of the major companies is having the effect of forcing the public to buy their merchandise, by reason of the fact that more and more outlets are being closed to the independents by the methods employed by those major companies.—Arkansas, Exhibit L-66c.5.

The Independent Refiner, and particularly the Independent Refiner of Pennsylvania Grade Motor Oil, has over a long period of years advertised the excellence of Pennsylvania Grade Motor Oil. Consumer demand therefor has been built up throughout the United States for a Nationally Advertised Brand. The methods employed by the Major Oil Companies force the products of the Independent Producer and Refiner out of the outlet and, consequently, no free and open market exists for products of the Independent Refiner.

This remaining 50% eventually becomes "converted" to the major companies' products because he finds it increasingly harder to locate a neighborhood dealer that handles the products he wants. Moreover in our territory it is the customary practice for the major company to pick up the customer's car and deliver it at no extra charge. The small independent dealer cannot compete with this type of business.—Massachusetts, Exhibit L-41.6.

The restraint that is existing upon free competition is terrific. Quite a few of the controlled stations do buy our merchandise in small quantities but are not allowed under any condition to display merchandise or use curb signs or any advertisement of any description. It is definite that a free and open market is being denied the distributor, the retailer and the consumer.—Virginia, Exhibit L-17c.6.

We saw our business, which was running about 120,000 gallons per year, drop to approximately 24,000 gallons. Since that time by adding other types of oil we have been able to build our business back to approximately 45,000 gallons per year.—Texas, Exhibit L-3.6.

If there was not the public demand for Kendall Oils, we wouldn't stand a chance of selling the average service station because of company restrictions.

As it is, both locally, and throughout the territory, we have quite a number of both company owned, and leased stations selling our products. Of course they are not displayed, and we have no sign or advertising privileges. Other dealers say plainly that they would handle our product if they dared to risk what the leasing company might do.—Virginia, Exhibit L-5c.6.

A free and open market is denied the distributor and retailer in many instances and the lease and agency contract is definitely a detriment for the free distribution of merchandise.—Ohio, Exhibit L-9c.6.

On a previous visit I noticed that two 1 x 6 Quaker State vertical signs, which we had shipped to Mr. Hobsgood and which he had placed on each end of his station, were missing, and when making inquiry as to why they had been removed, I was informed by Mr. Hobsgood that the Standard Oil Company's representative had taken them down. I then asked Mr. Hobsgood if this was pursuant to his wishes, and was informed that they were taken down while he was away from the station.

I then asked Mr. Hobsgood if it was a truck driver or a sales representative who had removed these signs, and Mr. Hobsgood answered that it was "Buford." I then asked if "Buford" was his first name or last name, and I thought he answered that it was Tom Buford.—Louisiana, Exhibit L-48.6.

If these dealers merchandise or even display competitive brands of motor oil, they are threatened by the majors in the form of reducing rent, building competitive stations, etc.—Maryland, Exhibit L-54.6.

\* \* \* while these accounts carry competitive brands of oils, the Major company keeps them from displaying Curb Signs or other advertising material on competitive brands. A common practice in this type of account is for the controlling company to loan or give the Oil Display racks.—California, Exhibit L-61c.6.

Special prices, paint jobs, advertising concessions have been prevalent. I have in mind the Carter Super Service, Lawrence, Kansas. This firm was buying considerable oil from me and advertising my oil, in fact I recently sold them a complete lubrication set-up. The Socony-Vacuum Co. came along and by special promises and concessions were able to place this customer in a position where he is afraid to buy from me. In this particular case the Socony-Vacuum Co. went so far as to nail and paste their advertising over my signs. I could recite you any number of these cases.—Kansas, Exhibit L-65.6.

The prevailing method employed by the Major Oil Companies in acquiring control of Service Stations is by two agreements executed simultaneously and as one transaction whereby the Major Oil Company purports to lease the station site from the operator under one agreement and by another agreement designates the former operator as the person to conduct the station and sell thereat the petroleum products of that Major Oil Company *exclusively*.

All of the stations are operated by one man in the station, who is supposed to have leased the station from the major company and thereby has become an independent dealer, but this is only a subterfuge, as the lessee knows full well, if he should buy any merchandise other than the major company's for which he operates, the lease will not be renewed. The effect of this is that we are estopped from the sale of our merchandise thru these stations.—Texas, Exhibit L-3.7.

We find it extremely difficult to obtain outlets for our products through service stations, inasmuch as the service stations in this area are practically all controlled through underlying leases by the major oil companies.—Pennsylvania, Exhibit L-20.7.

\* \* \* an independent leasing a station, then leasing to the major company and they in turn leasing back to the independent for \$1.00 or some other kind of a proposition.—New York, Exhibit L-38.7.

I have personal knowledge of one lease agreement in this city which is similar to about 25 other agreements made by The Texas Company in San Antonio. This particular lease concerns the station operated by a party named Paul Scheffler at 1201 N. St. Mary's Street. The Texas Company leases this station from the owners of the property—Mr. Negley and Mr. Johnson Griffith. The rent schedule on this property is based on an in-

creased amount each year over a five year period. And the lease is made direct between Mr. Negley and Mr. Griffith to The Texas Company. The Texas Company in turn has a lease agreement with the operator Mr. Paul Scheffler which calls for a rental paid by Mr. Scheffler of less than the amount paid by The Texas Company to Messrs. Johnson Griffith and Mr. Negley. Mr. Scheffler's lease contract with The Texas Company is on an annual basis and the rent is paid monthly by him. Mr. Scheffler is not permitted to handle any other petroleum products than those made by The Texas Company.—Texas, Exhibit L-43.7.

The policy formed by the majors over a period of years has had a very undesirable effect on free competition through their outlets. The various inducements which they use are leasing the property from the owner, release to the operator for a nominal rental, or purchasing the property outright, then leasing to an operator and offering different concessions and equipment, then appointment of the operator as a commission employee on a guarantee spread. In this territory the commission is usually 3¢ per gallon regardless of the rental paid for the property.—Virginia, Exhibit L-17.7.

Since September 1937, I have been an oil distributor for Kendall products. Since that time the available market has been shrinking due to the activities of the big oil companies.

These activities are the leasing of service stations on various types of agreements, whereby the operator or leasor is prohibited from selling my products or displaying the oil or signs.—Florida, Exhibit L-50.7.

The methods employed by these major companies to get control of the business and shut out the independents, are to lease or buy the most desirable locations, and then to sublet them to individuals who operate them under their own names.—Arkansas, Exhibit L-66.7.

At Ardenvoir, Wash. they spent something like \$2,400.00, so the operator of the company store told the writer, for new buildings and equipment for 100% contract, which was not to be paid back at all, or over a long period of time on a gallonage basis.—Washington, Exhibit L-72.7.

Their policy now seems to be that the major oil company leases the station from the owner, which station they in turn lease to an operator for 1¢ per gallon on the sale of gasoline. When we approach the operator and try to sell him our product, we are told in every instance that the major oil company will not permit them to handle our product or display any sign advertising any other merchandise than that sold by that particular major oil company.

We have not seen a recent contract which the major oil companies use, but whatever it is, works just as conclusively in closing the outlets to independent oil companies as the old lease and agency contract which we understand was declared illegal a few years ago.—Virginia, Exhibit L-68.7.

Practically all of the Major Oil Companies operating in Iowa have leased their stations to supposedly independent operators, although some have retained, and still operate as a Company unit.—Iowa, Exhibit L-64.7.

Take an average days work and analyze the results, call on four accounts in one town, every dealer tells you they know that you are offering them a quality product for which they have some demand, and would like to handle, BUT the — Company owns the building and I am just leasing with the agreement that I handle their products and no other.—Exhibit L-60.7.

The major companies here in Iowa do rent a number of individually owned stations and in most cases they lease these stations back to the owner to operate. In many cases the rent the owner pays for the station when he re-leases it is much less than he receives from the major company. Likewise many times the rent paid by the lease on company-owned stations is lower than it should be if based on the value of the property.—Iowa, Exhibit L-75.7.

These companies then leased the same premises back to my customers, the lease being drawn in such a way that they could buy or sell only those products supplied by the oil company.—Arizona, Exhibit L-80.7.

Threats of price wars, threats of price cutting, threats of erection of stations in the immediate vicinity as added competition against the particular operator, and threats to discontinue supplying him with gasoline to carry on his business are resorted to by the Major Oil Companies to force the individual business man operating the station to surrender his individuality and submit to the they are connected.—Arkansas, Exhibit L-66.8.

In September 1938 the Gulf Refining Co. representative objected to me selling Kendall Oil for which I have a very good demand and many regular customers. They threatened to build a station next to mine if I did not discontinue the sale of Kendall and sell their products exclusively.

I felt that it would hurt my business if I discontinued the sale of Kendall and I do not feel as though I could stand their competition as there are now so many Company stations that our gallonage has been greatly reduced.—Maine, Exhibit L-34.8.

We are not answering your extensive questionnaire in detail.

Our chief resistance in selling oil is the 100% contract insisted upon by the companies selling gasoline, who at the same time wish to sell their oils. In order to enforce this contract, they give the dealer less margin on the gasoline if he does not handle branded oils.—Missouri, Exhibit L-23.8.

Some companies are more severe than others in the carrying out of their policy, but all of them are more or less offenders against the free distribution of merchandise by independents.—Ohio, Exhibit L-9c.8.

The major oil companies operating in my territory state to a lessee that he can put in other oils, but while this has been their statement if the operator does put in other brands they find reasons under the terms of their lease to get rid of him.—Colorado, Exhibit L-21.8.

They threaten to cancel courtesy cards, they delay gasoline deliveries when these dealers require special deliveries on holidays and Sundays, they refuse to paint buildings, threaten to cancel any number of other small but important concessions that are necessary in service station operation. All these concessions are allowed when the service stations sell the motor oil of the major gasoline company exclusively.

Many large as well as small users will tell you that they are acquainted with your product and would like to use it but reciprocity requires that they buy elsewhere even though it is not as economical. Believe investigation would bring to light that in many instances employees of major oil companies are required to buy their automobiles through their employers so that they can use the purchase order as a "club" to get business. We have customers who are forced to buy a certain quantity each month in order to retain the business of some major oil company. They, in turn, sell this at a loss in order to purchase something from us which has proven more satisfactory to them. We cannot get you proof because the customer would not be willing to place himself in jeopardy to do so. Free painting and loaning of equipment is done openly and on such a generous scale that the small independent cannot hope to compete with it.—California, Exhibit L-51c.8.

Operator's father owns this property and leases to Standard Oil Co. of La. They in turn, sublease to present operator. He, at one time purchased several cases of Kendall oil and displayed same in the window on the day of delivery. Several days later I called on this account to find that our sign had been removed and oil hidden, at which time he informed me that the Standard Oil Company's salesman had threatened to have him removed from the station, and that said lease specified that at the privilege of doing so under these conditions with a three day written notice. Up to this writing, we have never been able to further sell this customer Kendall Products.—Louisiana, Exhibit L-53.8.

Next call dealer tells me that the Major Company representative have told him if they can't get the cooperation from him they feel they should have, they will build a Station next to him and put him out of business.—Exhibit L-60.8.

These individuals are financially responsible (not the major oil companies) for the conducting of their business. They must buy and sell at their own risk, pay the city privilege tax., etc., and in general relieve

the major gasoline company of any and all financial responsibility, yet they are given to understand by salesmen and others in authority, that they must buy and sell only the products of the major company with whom they are connected.—Arkansas, Exhibit L-66.8.

I refer to the 100% leasing practices of the major oil companies. Many of my customers, being as hard hit by the depression as I was, were coerced in one manner or another into leasing their stations to some major oil company.—Arizona, Exhibit L-80.8.

Prior to the inception of the intensified campaign of the Major Oil Companies for acquisition of stations through "exclusive dealing arrangements" many Service Stations carried several kinds of gasoline and several kinds of motor oil, the products carried being governed by the demand of the consumer as to kind and type of product.

In 1930, the approximate year the retail gasoline outlets and garages started leasing and selling their stations to the Majors, we sold 125,000 gallons of oil in this territory. In 1938 we sold 58,000 gallons in the same territory. And any unbiased person familiar with the conditions under which we have had to reach the market during this 8 year period would surely agree that this decline in our volume can be traced to the barrier which the majors erected between our company and the market.—Florida, Exhibit L-31.9.

We cannot blame the dealer for making this request since all the major oil companies offer these inducements to the dealer so that he will switch from one product to another.—Pennsylvania, Exhibit L-20.9.

After obtaining "an exclusive dealing arrangement" the Major Oil Company forces the operator to comply with the management policies of the Major Oil Company to eliminate all kinds and types of petroleum products sold by Independent Producers and Refiners from distribution through the retail outlet, forcing the Independent Producers and Refiners to entirely eliminate or abandon the distribution of their products through Non-Company owned but supplied on 100 per cent basis Service Stations.

From a survey we made approximately four years ago, covering test areas in New England, we are positive that not over 30% of the outlets are strictly independent, and that approximately 70% are either owned or controlled by the major gasoline companies.—Massachusetts, Exhibit L-27.12.

Over a term of years I have lost many thousands of gallons of oil due to lease and other forms of coercion used by the majors. At present there are pending several very fine independent accounts which doubtless will shortly become controlled accounts.—Maine, Exhibit L-4.12.

The campaign by the majors has been so successful we, the independent oil jobbers, have been compelled to look elsewhere for our oil gallonage and we concentrated upon the car dealers.—Pennsylvania, Exhibit L-37.12.

We have attempted in the past few years to market gasoline through service station outlets, but we find that the cost is almost prohibitive inasmuch as the dealers have been trained by the major oil companies to ask for new computer pumps, lifts, air compressors and similar equipment from the supplying company.—Pennsylvania, Exhibit L-20.12.

I am enclosing a copy of a letter written to your company under date of September 17, 1936 and compared our gallonage for the three months prior to June 1st, 1936 and the three months following: June 1st, 1936 being the date set by the major companies for their ultimatum to the service stations to be 100% major oil company products. The figures at that time showed as follows:

March, April, May 1936:

Oil-----	gallons	11, 196
Lube-----	pounds	11, 037

June, July, August 1936:

Oil-----	gallons	5, 596
Lube-----	pounds	6, 416

—Oregon, Exhibit L-19.12.

Since 1936 I would say that I had lost at least 2,000 gallons per year caused from dealers signing up 100% or leased.—New York, Exhibit L-13.12.

As near as we can estimate collectively, these combined practices have cost us about thirty-eight accounts and approximately thirty thousand gallons of motor oil. This, of course, refers only to those accounts whom we formerly had and have lost, and has nothing to do with those accounts who would like to buy from us but who have never been our dealers because of the restrictions imposed on them by the major companies.—Vermont, Exhibit L-49.12.

Out of fifty calls made last week, forty-two were 100% which prevented any sales at these locations. They were all desirable prospects good for approximately 1,000 to 1,200 gallons per year and as many pounds of grease. But estimating 300 gallons and considering we could sell but twenty of them, we are prevented from selling at least 6,000 gallons of oil in that section.—Maine, Exhibit L-32c.12.

The information attached hereto discloses that 92 accounts were lost in 1938 in our New Jersey territory and 88 were lost in our New York territory. All of these accounts were sold by us during the year 1937 and only a few were sold in 1938, but to the activity of the major oil companies in acquiring the service stations through one method or another as indicated on the attached reports.—New Jersey, Exhibit L-26.12.

As the result these accounts have been unprofitable and we ceased our efforts to interest gas station accounts several years ago.—Illinois, Exhibit L-25.12.

We are distributors for tires, accessories and oil. Our tire and accessory business has been going ahead year after year while our oil business in the past four or five years has reduced itself to less than one-half.—Pennsylvania, Exhibit L-36.12.

This condition prevails generally throughout our territory and has reached a point where it is a waste of time to even call on this class of business.—Wisconsin, Exhibit L-29.12.

We are in receipt of your questionnaire which you request by May 5th.

It is impossible for us to get this data up in this length of time.

The major oil companies operating in North Carolina control or monopolize the most desirable outlets. This, of course, has caused a serious loss of business.—North Carolina, Exhibit L-1.12.

One important situation that does not show up in a survey is the time and expense involved in contacting dealers we would like to sell but cannot because of some deal or price situation offered or forced by the major. Major's coercion causes life of account to be materially shortened and necessitates tremendous turnover of accounts which is very expensive to independent and he is not set up to switch equipment around like the major.—Massachusetts, Exhibit 1-40.12.

The only remaining avenue now for the independent oil distributor seems to be the automobile dealer. As regards this type of outlet, I would estimate that in this metropolitan area of Boston the majors have tied up about 50% already, having gained control via free equipment or modernization of the lubricatorium.—Massachusetts, Exhibit L-41.12.

Since 1936 our gallonage has continued to drop off each year until it has become a very serious problem. The major companies are just squeezing the independents out, and it seems more prevalent than ever this Spring. There are also different price concessions to 100% stations that a split account cannot get.—New Hampshire, Exhibit L-67.12.

The Texas Company who had leased the property from the former Owner also leased it from the new Owner giving him a monthly rental of \$50.00, and then leased it back to him at \$25.00, providing he would not handle any other brands of oil. He would like very much to handle Pennzoll, but hesitates to do so, fearing that The Texas Company will penalize him by withdrawing the \$25.00 monthly gift.—Iowa, Exhibit L-64c.12.

It is difficult, perhaps even impossible to get a written statement or testimony from these dealers regarding this situation. The reasons for this are

obviously because they realize that to do so would probably mean that they would be ousted by the major company.—Arkansas, Exhibit L-66.12.

Has been Atlantic since opening up. Our display sign has been removed several times because of pressure by Atlantic representatives.—Pennsylvania, Exhibit L-82.12.

I asked him what would happen if he were to put Quaker State in again and he replied that they would lose the distributor prices.—Georgia, Exhibit L-78.12.

The individual operator, operating under an "exclusive dealing arrangement", upon asserting his rights and initiative to distribute such products as his purchaser demand, is brought under control and forced to eliminate such products from distribution by threats of cancellation of the lease, discontinuance of the supply of gasoline, and threats of cancellation of extra margin on each gallon of gasoline sold.

Most all service stations which are owned by Standard, Gulf, Texaco, Pure Oil and Shell are 100% for their products. We do not call on them as there is practically no chance of selling them, because the major companies own or lease stations and the operators are afraid the stations will be taken away if other motor oils are sold by them.—North Carolina, Exhibit L-44.13.

In soliciting oil business from so-called 100% gasoline service stations leased from major oil companies or handling one brand only of gasoline, our salesmen report a market closed to them on account of fear of the dealer of reprisals from the major companies should they handle a competing brand of oil.—New York, Exhibit L-30.13.

The majority of these operators would like to carry a premium brand of oil, but state that they are not allowed to or are afraid to.—North Carolina, Exhibit L-1.13.

\* \* \* effectively keep us out of most independently owned stations that handle the major's lines. We call on our trade every week or two and the man on the gasoline truck contacts these accounts every other day. Continual pressure is applied and such concessions as are found necessary to eliminate us from the picture are granted.—Illinois, Exhibit L-25.13.

Harold Small of Bath, owned his garage with large parking lot attached. Besides regular garage equipment, he had a body repairing department in the rear. There is also a rent above. By threats and spending considerable money on the service station at the front, they induced him to sign a lease, thinking it covered only the front of the garage and filling station outside. When he "came to," he found he had leased his entire property to the Shell Corporation. He is now worried continually by the fear that they will put him out of his own property. Needless to say he now deals in Shell products only.—Maine, Exhibit L-32c.13.

\* \* \* of how they "dried up accounts" refusing to deliver them gasoline if they did not whip into line and their so-called "gentlemen's agreement" by which a "dried up" account could not secure gasoline from any other major company.—Oregon, Exhibit L-19c.13.

Coercive tactics are used from time to time. On the other hand we have noticed where a station is operated by a good dealer, that if he makes up his mind not to be coerced, the restrictions are not so severe.—Ohio, Exhibit L-9c.13.

We have a few accounts that are company controlled that do have our oils in but they are kept hid and no indication is evident from the standpoint of the motorist that they are servicing Kendall Products.—Colorado, Exhibit L-21.13.

In projecting the results which have followed the major gasoline marketers control over the retail outlets it seems to this writer that many of the hardships have been borne by the operators of retail service stations. Usually the moment an operator leases his station to a major his status becomes that of a peon.—Florida, Exhibit L-31.13.

If we are successful in selling our motor oil to a gas dealer, immediately the major oil company goes to work on the dealer. He threatens cancellation of his contract, or uses other means until the dealer discontinues his

purchases of outside lubricating oils and greases.—Michigan, Exhibit L-57.13.

We started doing business with Claxton Service Station, Jacksonville, Fla., in September 1937. They were buying up to 300 gallons per year. The Sun Oil Company, from whom he leased this station under threat of lease cancellation, stopped Claxton Service Station from selling any more Kendall. We lost the account in March 1939 and lost 300 gallons of oil per year.

A similar case is the Alexander Battle Service Station, Jacksonville, Florida. American Oil Company leased this station to Alexander and Battle, who purchased Kendall from me for 10 months. Then under threat of cancellation they were no longer permitted to sell my oil.—Florida, Exhibit L-50.13.

Many dealers operating with split pumps consisting of one major and one or more independent brands of gasoline have had pressure brought on them recently to the effect that if they wished to continue the major gasoline and enjoy the courtesy card privileges, they would be required to use the major gasoline brand of greases, otherwise the pump would be removed.

Once again these threats are verbal and made in a subtle way so that proof is not available, but you will admit that after hearing this so many times from reliable people that there must be some truth to the statement.—California, Exhibit L-51e.13.

Mr. Parker's first purchase of Quaker State Motor Oil from us was made on February 15th, 1939, and was delivered from our warehouse stock at Baton Rouge, La. At the time of placing order Mr. Parker requested a Quaker State Curb sign and display rack.

When I called on Mr. Parker on the above date I noticed that the Quaker State Curb sign and display rack had been removed. \* \* \* was reluctantly informed by Mr. Parker that Mr. Tom Buford of the Standard Oil Company approached him and requested that he not display the Quaker State signs or oil. From the manner in which Mr. Buford put this request \* \* \* Mr. Buford promised not to open competitive Standard Oil Station across road.—Louisiana, Exhibit L-46.13.

The difficulty of securing specific information in any of these cases is caused by the fact that the Major Oil Company controlling the outlet does not issue written instructions or write into their contract any restrictions, but their employees or their agents give word-of-mouth instructions to the operators of the outlets whether they be on a commission, lease and license, or rental basis. Their contracts carry, as a rule, a 30-day cancellation clause and if the operator of the outlet does not conduct the business in accordance with the Company's wishes, it is always an easy matter to find what appears to be on the face of it a valid reason for exercising the cancellation clause.—Virginia, Exhibit L-16.13.

One of the principal weapons used by the Majors in forcing the supposedly independents to comply with their demands is that they would, and would, refuse to renew their lease upon its expiration, or cancel the same upon so many days notice.—Iowa, Exhibit L-64.13.

If the dealer should persist (as they sometimes do) in handling another brand, then the major company will usually find some excuse to oust this dealer.—Arkansas, Exhibit L-66.13.

Can take you to an account who have sold our products for over ten years and who has built up a fine business, recently two Major Companies have built large Super Service Stations right next to him and his business has suffered to such an extent that he recently told me that he has been approached by two Majors who has offered to lease his Station for a ten year period and he feels that he will be forced to do so as he can not compete with these two large Major built stations.—Exhibit L-60.13.

We have any number of accounts that are 100% Major Gasoline of one kind and in each case the Major having the account has done everything to retard the sale of any competitive oils and in the majority of cases keeps them from using competitive greases. The most effective weapon they employ being the reduction of the Gasoline Margin allowed to the Customer for going 100% on their brand.—California, Exhibit L-61.13.



We find that we are somewhat handicapped in the sale of a branded oil for the reason that major gasoline marketers go in to dealers with their gasoline and make contracts with them saying they are to handle their products only; should the dealer want to handle any other products, they will cut down the margin of profit on gasoline.—Nebraska, Exhibit L-71.13.

\* \* \* my business is affected by these practices which consist of such companies as Sun Oil Co. and Tidewater Oil Co., not permitting independent dealers to carry independent oils in their stations. These major oil companies flatly tell these dealers that if they carry independent oils they will not permit them to have company charge accounts and penalize them on price.—Connecticut, Exhibit L-58c2.13.

\* \* \* our past customers are either afraid to buy oil from us for fear of losing their gas and oil franchise with the major companies, or are definitely told that they will be penalized if they do purchase any other brand of oil other than that which is distributed by the company from whom they are purchasing gas.—Connecticut, Exhibit L-58c3.13.

Under the agreements, the Major Oil Company installs equipment for handling of gasoline and the Service Station is otherwise improved. The individual operator does business under the threat that the Major Oil Company will remove all equipment and cancel the contract specifying the quantity of gasoline to be delivered to the operator. The *Supreme Court of the United States* in the case of the Federal Trade Commission v. Sinclair Refining Company, 67 L. ed 746, approved the lease or loan of pumps as lawful on the ground that the loan of pumps by one company did not under the specific agreement then under consideration and then in use operate to thereafter make the station premises an outlet for the *exclusive* sale of the products of the loanor.

Major companies owned and controlled stations.

Major companies furnishing equipment free to independent dealers, special prices and concessions, to secure the New Car Dealer accounts, which is very desirable as a recommendation by such dealers of a certain lubricant has a lasting effect on the buyers.—New York, Exhibit L-15.14.

There have been various inducements offered by oil companies to get attractive leases by furnishing equipment at the oil company's price; painting of buildings and permitting the dealer to buy equipment and pay for it on a gallonage basis.—Ohio, Exhibit L-9c.14.

Most of the companies in this territory thru furnishing paints, better price to 100% accounts and various other methods they have of keeping us out, are controlling the sale of only their products thru these outlets, even tho they have them leased to supposedly independent operators.—Colorado, Exhibit L-21.14.

Each year more and more of the independent dealers are enticed or coerced into some form of agreement to handle but one particular brand of gasoline and oil. In the case of Sam Hartt, Belfast, Maine whose letter is attached, the Tidewater Oil Co. supplied him with a lift and two or three grease servers.—Maine, Exhibit L-32.14.

Dechambeault Garage, Biddeford, Maine, on first call said he would take on Kendall products and would order next time we called. When we made the second call, he said he could not buy as the Standard Oil Co. had supplied him with a lift and other equipment at a cost of about \$400.00 on condition that he handle only Socony products. This account was estimated to be good for 500 gallons oil annually.—Maine, Exhibit L-32c.14.

During the past five years, our outlets have been shut off, one by one, through various methods such as lease, re-lease, credit courtesy cards, free equipment, free paint jobs, free building construction and additional margin on gasoline, usually  $\frac{1}{2}$ ¢ per gallon.—Pennsylvania, Exhibit L-22.14.

Major companies leased stations. Lessee is not allowed to handle other than company products. While lease does not actually show this, dealer cannot expect any concessions whatsoever if he even attempts to sell competitive products. By concessions is meant—loaning of equipment, painting of stations, etc.—Virginia, Exhibit L-5.14.

We do, however, wish to register our complaint against some of the tactics of the above named companies, such as the selling of greasing equipment which at times runs into sums from \$500 to \$700, with the privilege of paying for same upon a basis of 1¢ per pound overcharge on purchases, and in many cases this overcharge will not amount to any more than the payment of interest on the installation. This, as you can see, works a hardship upon an independent dealer whose capital is limited, making it impossible to secure any further business from this source of outlet.—Virginia, Exhibit L-6.14.

It is impossible to fill in this questionnaire. We can cite some recent incidents which are becoming more common each day with regard to unfair trade practices of the majors to wean away accounts from the smaller independent manufacturers and distributors. We consider three practices as very unfair and name them in order:

1. 100% contracts with dealers to eliminate independent distributors merchandise.
2. Supplying unlimited lubricating equipment on lease to dealers for their oil and grease business.
3. Reciprocity business to the large fleet truck operators—which is large volume freight hauling in return for their oil and grease business.

The other day one of our dealers in Dayton, Ohio wrote us a letter in which they told us a major oil company approached them with the intention of weaning the oil and grease business from us by offering to install \$700.00 in equipment on consignment. Our dealer favored us by advising they would rather go along with us if we could meet this deal. A small concern such as ours cannot afford to invest in thousands of dollars in equipment to retain such accounts.—Ohio, Exhibit L-35.14.

To say that our customers (the independents) are forced to purchase is putting it mildly. What one company does not offer the other one will. Prices may be kept equal, but paint jobs, paving and furnishing of equipment vary to the extent that one cannot but advise the recipient that he would be foolish not to accept.—Oregon, Exhibit L-10.14.

Other practices of giving free equipment, such as new automatic and self-computing pumps, etc., also restricts the dealer.—New Jersey, Exhibit L-26.14.

Like all independent oil distributors, we have been blocked out of station after station. In many instances this has been accomplished by the gift to the dealer by the major company of equipment, such as pumps, lifts, dispensing equipment, etc. In other instances, the companies have financed for the dealer on a gallonage deduction basis the installation of a complete new lubricatorium. In this territory these are two of the many different forms used to place the dealer on a 100% basis.—Vermont, Exhibit L-49.14.

In a few cases where they do not control the lease they have been offering to resurface the driveway or repaint the building, forcing the dealer to buy their grease and oil exclusively.—Pennsylvania, Exhibit L-20.14.

Standard Oil Co. has just recently installed for him, free of charge, one hydraulic grease rack, along with enough paint to touch up building. They also own the pumps and tanks in this station, and on several occasions I have approached this account with the prospect of selling some oil, but each time have been told that the Standard Oil Co. would not permit him to handle any other oil.—Louisiana, Exhibit L-53c.14.

\* \* \* would cancel us out at the earliest possible moment, were it not for the fact that their lease with the property owner plainly states that my company is to operate the station during the term of this lease, or any renewal thereof. Continental has not hesitated to tell us plainly that if we sold more of their motor oils, they would do anything within reason that we asked for. Furthermore, if we dropped Kendall altogether, they would do anything that we asked for. All of this is thrown at us and we sell more gasoline gallonage than any outlet they control in this territory. (213,366 gal. for 1938).—Virginia, Exhibit L-5.20.

Next town two accounts, one a Company owned and leased Station the other can not handle your product because they are fixing his garage,

putting in new pumps in return for a five year lease, and he does not dare to carry any competing lines as they would not fix him up.—Exhibit L-60.14.

Greystone Service Station, 1101 Rhode Island Ave., N. W. For the past 19 years this station has been operated independently by Johnson Zimmerman. It was time for a complete installation of new pumps, station equipment and remodeling. The entire problem was solved by the Standard Oil Co. who took over the lease, put in all new equipment, made all necessary repairs and modernized the station. It was estimated the cost was over \$3,500.00. The rental paid by the Standard Oil Co. to the owners was reported to be \$250.00 a month. The re-lease to Mr. Zimmerman I understand is 1c per gallon, with an estimated potential monthly gallonage of approximately 15,000. This is another example of a brilliant deal made by a major oil company to freeze an account.—District of Columbia, Exhibit L-73.14.

The major companies offer the dealer everything from computing pumps, painting buildings, grading, cement or crushed stone front—to lifts installed at no cost to them. The car dealer account has been solicited on all sorts of schemes to get them tied up with major produ —New Hampshire, Exhibit L-67.14.

The Major Oil Company holding control of the service station requires the operator to sell the product of the Major Oil Company at the prices fixed by it and the agreement provides that the Major Oil Company can terminate the agreement at any time.

I'm in one H— of a pickle. The "big boss" (Tydol) was in this A. M. and raised particular "Hall Columbia" about the two hundred lbs. of Kendall grease. Doesn't seem to mind the motor oil, but feels where they supplied the lift I should buy all the grease from them. Is there any way to get around it to keep peace in the family?—Maine, Exhibit L-33.15.

We do Quaker State oils and greases, but our principal business is automotive accessories, supplies and equipment, as well as tires and batteries.

We are very much interested in your investigation because being independent distributors of nationally known products we find it very difficult at times, in fact many times impossible, to sell goods to certain types of outlets.—Ohio, Exhibit L-8.15.

It is true that the major oil companies have leased their company owned stations to individuals, but these individuals are given to understand verbally that if they buy a competitive product the lease will not be renewed.—North Carolina, Exhibit L-1.15.

The immediate situation this area shows the majority of outlets controlled by lease and release arrangements from which all material outside the supplying company is practically excluded.—Ohio, Exhibit L-7.15.

In our estimation most of the ills of the marketing end of the oil business would be eliminated if the marketing end of the major companies' business had to stand on its own feet as does the independent.—Massachusetts, Exhibit L-40.15.

At the time the Iowa plan went into effect, the majors discontinued setting a retail price, but did set a "dealer's Price." The dealer is supposed to set his own reselling price.—Iowa, Exhibit L-75.15.

(B) Much discrepancy on prices is found (no adherence to policy—apparently is no policy) one dealer pays one price and another will be different on same amount and same product. Many cases yearly bonus is given on each purchase if they contract on so much oil instead of on exactly what customer sells. (Contract is therefore a blind only).—New Hampshire, Exhibit L-76.15.

Control of outlets was obtained thru a concession of 1¢ per gallon when a station signed up 100%. Or a station was painted free of charge to insure 100% control.—Arizona, Exhibit L-80.15.

The "exclusive dealing arrangements" enables a group of Major Oil Companies competing with one another to effect "concerted action on the part of groups of competitors in order to insure orderly market conditions" and by concert of control of the retail outlet, the service station, to exclude the Nationally Advertised Brands of all Independent Producers and Refiners.

\* \* \* where other products than those furnished by the oil company are definitely prohibited to be stocked by the lessee.—Ohio, Exhibit L-9.16.

Our sales on both motor oils and greases of a nationally advertised brand has been seriously affected by the methods of obtaining service stations now used by the major oil companies.—New Jersey, Exhibit L-26.16.

Company owned stations such as Shell, Socony, Sunoco, Esso, Gulf and Texaco are all 100% of their respective products and do not want Wolf's Head.—New York, Exhibit L-11.16.

I wish to state that during 1938 we lost five accounts due to 100% stations.—New York, Exhibit L-39.16.

Recently, however, the Gulf Oil Company has started a drive on this type of account. The Gulf Oil Company is at present literally buying the car dealer oil gallonage. They are offering lifts, air compressors, grease guns, back boards, plus anything the car dealer might want. To sight a few cases: one car dealer's service manager (Studebaker) informed us that he was given an air compressor, a lift, a floor painting job, a set of grease guns and a back board. These items totaling in the neighborhood of \$2,000. Another car dealer (Buick) informs us that he was given equipment, tiling and many other things valued at \$1,200.—New Jersey, Exhibit L-37.16.

The second account was the Folmer Service Stations in Mansfield, Ohio. These two stations were doing a fine independent business and giving us about 2,000 gallons of Kendall Oil per year. Mansfield, a city of some 40,000 population, has today approximately 78 major outlets with only six independent dealers left. So much pressure was placed on Folmer that he finally fell by the wayside in 1938 and sold his stations to Hi-Speed, giving us another loss of 2,000 gallons a year.—Ohio, Exhibit L-52.16.

After making twenty or more new calls a week and finding conditions as they now exist you wonder what is to be the fate of the independent dealer.—Exhibit L-60.16.

Further, the operators hesitate to stock non-competitive merchandise for which they have calls, fearing that their efforts to expand their stocks will not meet with the approval of the major oil company.—District of Columbia, Exhibit L-70.16.

The last deal I have run onto is the major gasoline supplier threatening to cut off credit if they found competitive merchandise in stock. This threat is used to good advantage, for the reason that the small operator guards his small credit rating pretty close and being cut off by any major oil co., they feel would greatly impair their credit and no doubt it would.—Kansas, Exhibit L-65.16.

There are many and varied methods used and inducements made by Major Oil Companies to induce the station operator to discontinue handling any independent brands. For instance, at Clinton, Ia. we formerly had a very fine Pennzoil Account in the McEleney Auto Co. until they switched from Skelly to Socony-Vacuum products, the latter informing Mr. McEleney that they would (and did) place one of their large illuminated signs on the roof of his building provided he would eliminate practically all other brands of oils. Our sales of Pennzoil dropped from around 50 gallons per month to less than 15.—Iowa, Exhibit L-64c.16.

The reason for Mr. Thompson writing me was because I sold Mr. Basil Lewis of Crosby, Minn. 5 cases of Kendall in March for immediate delivery and another Texaco Super-Station in Brainerd for April 1st delivery 8 cases of Kendall.—Minnesota, Exhibit L-74.16.

All of the remaining jobbers have either signed up with one of the major oil companies or have been actually purchased by one of the major oil companies. Those jobbing companies operating under major company hook-up in most cases are very reluctant to take on a brand such as our Wolf's Head in addition to possibly their own brand and a brand sponsored by the major oil company.—Minnesota, Exhibit L-69.16.

We have been told by this company that the Socony Vacuum Company spent approximately \$1100.00 in this place to get them 100%.—Pennsylvania, Exhibit L-82.16.

Mr. Hutson said that the Standard Oil Company gave them distributor prices on tires, gasoline, greases and oils if they would throw out Quaker State and Firestone.—Georgia, Exhibit L-78.16.

Equipment grants are given the service station, and after installation threats of removal are employed to coerce the owner of the service station to follow Major Oil Companies' policies.

Major companies act as bankers where they can on lifts-bldgs. etc. and in most cases get money back at 1¢ per gal. gas (some places 1½¢ per gal.) but in some instances they do not ask for it back as lease or tie up is long enough and customer sits tight.—New Hampshire, Exhibit L-76.17.

Gulf had control for quite some time. Dealer displayed our sign until the Gulf Refining Company installed a lift and dispensing equipment and gave free paint job recently.

This account did display our signs and oil until recently. Standard put in a pit and promised to relocate the pumps, which seems to account for our signs and oil being removed from display.—Pennsylvania, Exhibit L-82.17.

Excessive credit extensions are given the owner of the service station, credit extension being used as a means of financing the service station operator.

Credit is extended promiscuously especially in the spring and fall change-overs. Always going just a step farther on credit or price if it will let them in.—New Hampshire, Exhibit L-76.18.

Behrens & Bushnell, Ivoryton, Conn.; Gallons of Motor Oil purchased from us—1936, 373; 1937, 168; 1938, none; 1939, none.

This account signed up with Socony Sept. 1937 and received the following for signing up: Free equipment, free paint job. Credit extension.—Connecticut, Exhibit L-83.18.

The "exclusive dealing arrangements" are intended to restrain or prevent competition in the supplies or prices of an article or commodity, (gasoline, motor oils and greases) in general use.

In reply to your questionnaire \* \* \*

Our distribution of Kendall oil in this locality simmers down to a few faithful who believe, either so strongly in the quality of the oil, or because of the combined efforts of our organization and the advertising which the Kendall Oil Company puts out, that they do not allow any of the majors to interfere with their buying.—Oregon, Exhibit L-10.21.

We understand that when the producing companies sell gasoline to the independent stations the prices are to some extent governed by the amount of oil sold for this account.—Virginia, Exhibit L-18.21.

The major oil companies sign a sales contract which specify a minimum and maximum gallonage that the operator must use. The company claims that after the operator has used the maximum he can then buy from anybody he wishes, and therefore they do not monopolize or control the account 100%. The negro in the wood pile is that the figure they use for the maximum is twice as much as the account can possibly sell, which gives them the account 100%.—North Carolina, Exhibit L-1.21.

I might add that there also remains the fleet owned type of outlet, but I find that the more desirable and larger fleet accounts (especially if their consumption of gas is large) are being tied up on all grease and oil requirements by an additional margin of discount on gas.—Massachusetts, Exhibit L-41.21.

There is no free and open market for the products of the Independent Distributor in any of the major company controlled lease agreement stations. The dealers in such stations are given reduced rental, free jobs at intervals and book credits which are paid back to the major companies by the lessees on a cent per gallon charge on their monthly gallonage. This control by the majors is enforced by threats to cancel lessee's contract, withdrawal of book credit plan and the withdrawal of the courtesy card privilege.—Texas, Exhibit L-43c.21.

The continuation of the above cited monopolistic practice is forcing us out of the market. We feel that we have the right to carry on a legitimate

business and we are asking you for your immediate help in stopping these monopolistic practices in the oil industry.—Florida, Exhibit L-50c.21.

\* \* \* impossible to give you any specific information \* \* \* In this territory wherever a retail station is controlled by one of the major oil companies and in this we include Standard Oil Company of New Jersey, The Texas Oil Company, Pure Oil Company, Atlantic Refining Company, American Oil Company, and the local distributor or agent for Gulf Refining Co., it is practically impossible to sell any of the controller outlets any petroleum products.—Virginia, Exhibit L-16.21.

Sullivan & Helen Gas Station, 3008 Rhode Island Avenue, N.E. This account was taken over by the Tidewater Oil Co. in November 1932. Operated as an independent station it averaged monthly 45,000 gallons. It is believed a flat figure of several thousand dollars was paid the owner for this business in addition to a long term rental lease said to be \$450.00 per month. The gallonage has dropped to less than half. Had this station continued to operate as an independent, we believe they would have purchased up to date better than 10,000 gallons of Kendall oil. This case is to illustrate how a major company can pay \$450.00 a month rent for a station and sublet it for \$180.00 for the privilege of selling their product exclusively at a loss for the past six years.—District of Columbia, Exhibit L-73.21.

This means that for service station distribution through jobbers we would have to go largely to the truckage station or cut price seller and it is hardly reasonable to expect that a marketer devoting all of his efforts toward selling gasoline at a cut price, would be a good logical outlet for premium oil at a premium price.—Minnesota, Exhibit L-69.21.

This account states that he could sell a representative amount of our oil if he were allowed to display our sign and merchandise.—Pennsylvania, Exhibit L-82.21.

The Independent Operator of a Service Station, being a practical business man, knows that he must keep his customers satisfied and as repeat buyers by selling the products they demand. In order to do this he is forced to bootleg high quality Nationally Advertised products of the Independent Producer and Refiner in order to supply his customers demand and hold his business and protect his investment in his service station.

This letter is in reply to your letter of April 16th.

I have a number of dealers who used to use and sell Kendall in fairly good quantities when they were at liberty to display our signs and advertising. Since they have signed up with the major company, for one reason or another, and have to keep our oil out of sight, in most cases their sales on Kendall have dropped off more than 85%.—New York, Exhibit L-12.25.

Many dealers have branded Pennsylvania oils in their stockroom, but are afraid to advertise them or use any of the advertising matter supplied by the Pennsylvania oil distributor.—Pennsylvania, Exhibit L-20.25.

I am not allowed to display either signs or oil. In these places I lose about  $\frac{2}{3}$  the gallonage before.—New York, Exhibit L-13.25.

The Sinclair Refining Company control their stations in this territory to the extent that of all of their outlets we sell approximately four in the entire territory that we cover.—Virginia, Exhibit L-17.25.

Summing up the whole situation, it appears that the sale of any independent oil or lubricant in an area such as greater Boston is becoming more and more a bootleg proposition. By that I mean that dealers who have carried an independent popular brand of motor oil, like Kendall, and built up a demand for it are finding that if they continue to serve their customers with this particular merchandise, they must remove all evidence of the product from public view if they are to continue to receive any co-operation from the major oil company.—Massachusetts, Exhibit L-41.25.

Of the 580 accounts which we are selling approximately 20% of this number are boot-legging our brands of motor oil—Louisiana, Exhibit L-45.25.

\* \* \* Mr. Frieler said he did not think that he needed any Quaker State Oil.

\* \* \* We can check it.

Mr. Frieler asked the friends to move so that he could open the doors as the Quaker State Oil was stored within. The customer-friends asked Mr. Frieler why he did not have it out on the open shelves and display racks like the Texaco brands, and why was he hiding it? Mr. Frieler replied that they wouldn't let him put it out or display it.

Q. Mr. Frieler, who are they?

A. Mr. Barret and other salesmen of The Texas Oil Co.

Q. Mr. Frieler, do you own or rent this property?

A. I own it.

Q. Who pays the licenses and taxes for the station?

A. I do.

Q. Who pays the other miscellaneous expense, such as light, power and heat, water bill, and wages of hired help?

A. I do.

Q. I notice that you are selling Coca Cola, and that you have a nice attractive display right outside the door. Do they object to you handling and selling that?

A. No.

Q. If you make a dollar you can buy from me and others, and likewise if I can make a dollar, I can buy from you and others, and this is what makes the wheels of trade function towards good business and prosperity.

A. Yes, but still they said I can't put out a sign or display Quaker State Oil so we will just have to let it go at that.

Q. Maybe there will come a time when you can put out a Quaker State sign and Quaker State Display rack to display the Quaker State Oil. If so, will you do it?

A. Yes, I will be only too glad to do so because I know it will help my business, but for the time being let's let it wait a little while.—Louisiana, Exhibit L-46c.25.

In some cases where the dealer was particularly anxious to handle our product, he has been forced to bootleg it without any sort of display whatever, so that we were without having a free and open market for our motor oil.—Pennsylvania, Exhibit L-22.25.

We do not look, with fear, on the account that wants our product on a bootleg basis. These situations are frequently based on what might be termed deception and the results are not usually healthy. Given sufficient time these accounts are usually able to convert their customers to the major brands.—Illinois, Exhibit L-25.25.

\* \* \* of how we had to bootleg our product with the dealers in order that they could still hold some of their Kendall customers; stopping the delivery truck a block away from the dealer's place of business to make sure no major spotters were about; the dealer having to hide the Kendall in hiding places; the major companies buying up the Kendall which the dealer had left so that there would be no sign of a competitive oil and then reselling the Kendall to one of our accounts at a discount.—Oregon, Exhibit L-19c.25.

There is a considerable amount of boot-legging of our oil by those who formerly sold it and who wish to continue doing so openly, but are not permitted doing so. When deliveries are made our truck is not allowed on the premises. The truck is parked some distance from the station and the driver is either required to carry the cases some distance or else one of the attendants will drive to the truck and transfer the cases to his car.—California, Exhibit L-51c.25.

However, in these cases it is because the lessee has some clientele that wants our products and he keeps them in the basement or some place else out of sight of both the company man that calls on him as well as the motoring public. They have them to service a few of their friends and customers that demand them.—Colorado, Exhibit L-21.25.

This has resulted in the dealer being forced to remove all Quaker State advertising, and in those cases where he sells Quaker State at all, he does it by keeping it hidden so that the major company representative will not see it.—Vermont, Exhibit L-49.25.

This station is owned by Pan-American Petroleum Co. and leased out. They forbid any sales of any other products with threats of changing

operator, although they have hidden in the back of their station several cases of Kendall oil which they sell only to customers requesting same.—Louisiana, Exhibit L-53.25.

In a few instances, because of demand, operators are bootlegging our product as they are afraid for the major oil company to know they are handling our product and are not permitted to display either the goods or the signs.—Virginia, Exhibit L-68.25.

We have some dealers who handle Pennzoil, but are not permitted to display it; in fact they keep it ditched in other parts of the building and when they get a call for it they service the car, but pushing their displayed merchandise mostly.—Nebraska, Exhibit L-71.25.

Some of the stations carry a small supply of independent oils, but if a customer calls for them it is very difficult to get, and we have found it buried in bales of straw, down cellar, up over offices, and in some instances in another building. None of these stations have any display signs of these oils; and customers who are looking for them usually are watching for a display sign.—New Hampshire, Exhibit L-67.25.

If some of these dealers sometimes buy another brand of oil so they can sell some of their retail customers who demand it, they dare not display it as they do the merchandise of the major company, but must keep it hidden from view, usually in a back room or behind other merchandise where it cannot be seen by representatives of the major company.—Arkansas, Exhibit L-66.25.

The attached letter to Senator O'Mahoney will give a little more information, covering our territory and will show that we have been forced to bootleg our oils in order to get them into some of the controlled accounts.—California, Exhibit L-61c.25.

The Independent Operator of a Service Station accepting the terms and conditions forced upon him by the Major Oil Company in order to obtain his supply of gasoline, must direct his individual initiative and enterprise to defend his own business.

The time element does not permit our going into the detail you request with respect to the coercive tactics in common use to discourage and prohibit the sale of any material through controlled service stations except that of the supplying company. As a cross section of several hundred accounts with whom we used to do business we submit herewith the record of eight of these accounts whose average yearly consumption was about 16,000 gallons of oil which was taken away from us for the reasons indicated and represented a competitive situation with which we could not cope.—Ohio, Exhibit L-7.26.

We felt it our duty to give our view-point and we hope somehow or other our industry may be maintained as one of free enterprise wherein those who rightfully earn the business may secure that business rather than it should go to someone who leases a piece of property and thereby, without ownership or responsibility, control the variety and brands of goods sold.—Ohio, Exhibit L-8.26.

The President of the United States made a statement in his first inaugural address that made us feel that possibly a way would be found to relieve us independent operators from this unlawful competition. He said, "I am for the forgotten man." If anybody has been forgotten it is the man who in early life saved a part of his income and then sought to enter any legitimate field of selling.—Texas, Exhibit L-3c.26.

I do not want to appear to be a mal-content but if some form of divorcement of major oil company units that was fair and equitable could be worked out it is my opinion and belief that everyone in the industry from the marketing standpoint would get a more even break at the business on a margin of profit that would enable each of them to make a living.—Colorado, Exhibit L-21c.26.

Our salesmen all bring in the same story—it is fear of losing their lease if they handle our merchandise.—District of Columbia, Exhibit L-70.26.

The Major Oil Companies by obtaining control of the retail outlet for motor fuel and motor oil, aggressively seizes the business of those individual busi-



ness men in each locality who have for years operated as distributors or jobbers for the products of the Independent Producer and Refiner, and is consequently absorbing the wholesaler's function.

The other bad practice the majors are doing is selling their oil direct to the consumers at wholesale prices, and cutting the retailer out of the picture.—Texas, Exhibit L-227.

Out of a total gasoline gallonage in Colorado of 229 million gallons major refiners sold either directly or thru some of their jobbers, whom most of them have set up in this territory to get the business on a long margin basis because they did not want to appear to lower the dignity of their companies, approximately 192 million gallons for the year 1938. In many, many instances major oil companies here in the past have asked their jobbers to take this business on a cut price basis which in my opinion has been one of the reasons that in this area there has been and continues to be much discounting at the pumps.—Pennsylvania, Exhibit L-21c.27.

Attached you will find your questionnaire completely filled out regarding the distribution of gasoline and oil by the major oil companies. We don't have a complete list of all the accounts that have been lost, but this partial list will give you some idea of the volume of business that we will lose due to the pressure being placed on the small independent business man by the major gasoline companies.

Take for instance my own business. During the eleven years I have been in business I have gradually added new employees to take care of the increase in business, but if these monopolies are allowed to grow and gradually force out the independent business, who has always been a good citizen and tax payer and definitely interested in the welfare of his community, the loss in business will force me to reduce my organization.—Ohio, Exhibit L-52c.27.

If the major companies continue their monopolistic practices the independent distributor will soon be definitely forced out of business.—Maryland, Exhibit L-54.27.

I am attaching questionnaire relating to four specific accounts two of which, Culbertson & Henderson and L. B. Holton, have been taken over absolutely 100% and the other two contracted 100% but permitted temporary exception to sell a small amount of Kendall oil because of public demand. My loss of gallonage in these four accounts will amount to not less than 4,500 gallons for 1939.—Ohio, Exhibit L-55.27.

Prior to June 1st, 1936 we had in our territory 136 Kendall service station accounts. Today we have 27 service station accounts. Our sales for the month past, April, were 2,760 gallons of which 320 gallons were sales to service stations. Our service station outlets have been practically all absorbed by the majors thru their various forms of control, principally the threat of cancellation of additional margin on gasoline and rental allowances.—Oregon, Exhibit L-49.20.

\* \* \* enclosing questionnaire.

While our gallonage has been greatly reduced through the continual curtailment of competition by various methods of the major companies, this does not begin to amount to that lost by our being shut out of many of the most desirable outlets by these 100% contracts leases and other practices.—Maine, Exhibit L-32.27.

These are only a few of the many cases I could cite, and it appears to me and also to many other salesmen with whom I have talked that there is a well organized plan to eliminate all independent competition, and if they are allowed to continue it will be but a short time before all independent business will be a thing of the past.—Exhibit L-60.27.

As an independent oil distributor and jobber we wish to state that it is getting more impossible right along to get business from any service station either so called independent or otherwise because of the practice of the major oil companies in making concessions or donations to service stations that they cannot control by leasing, in return for 100% contracts.—Washington, Exhibit L-72.27.

The whole thing resolves itself into this—instead of a free open market we have one where the major operators, through fear and deception control the business in a large percentage of the cases.—Kansas, Exhibit L-65.27.

Barry-Pate Motor Co., 1130 Conn. Ave. \* \* \* at that time they had a 100% Texas contract on gasoline, but were allowed to handle one other oil. After servicing the account for four months they signed up with the American Oil Co., and it is my understanding, additional margin on gasoline and parking lot concession froze this account, as they advised me they could not buy any other oil, although I had a verbal agreement with them to take several hundred gallons.—District of Columbia, Exhibit L-73.27.

\* \* \* service stations has been brought about by reason of the fact that major oil company competition has gradually thinned the ranks of jobbers operating under their own brands and trade names to the point where few if any independent jobbers are left operating in the market.—Minnesota, Exhibit L-29.27.

Within twelve months after the institution of the oil lease and agency plan, we had outlets closed to us which were giving us approximately 75,000 gallons of oil per year, and forced us to close our warehouse in Danville, Virginia, from which point we were distributing in the nearby counties of Virginia and North Carolina.—Virginia, Exhibit L-68.27.

The above practices have worked a tremendous hardship on distributors; and if they continue it will be impossible for an independent distributor to make a living. Where we used to run large trucks, now we are delivering with half-ton trucks, and a lot of the time they are not loaded to capacity.—New Hampshire, Exhibit L-67.27.

As this practice progresses, opportunities become more limited, in fact almost extinct for the individual who would try to make a living as an independent retail gasoline and oil dealer.—Arkansas, Exhibit L-66.27.

No contract other than the ordinary five year Standard contract was entered into by the Palmetto Service Station and the Standard Oil Company.—Georgia, Exhibit L-78.27.

If the major companies are allowed to continue unrestricted their method of controlling and freezing the retail outlets it can be plainly seen that in a very short time the remaining 13% left us under the present setup will be taken over, thereby forcing us out of business.—District of Columbia, Exhibit L-73c3.27.

The Major Oil Companies not only select those with whom they may choose to deal as they may do, but by the agreement fixes the price at which the goods are to be resold and also obstructs the free flow of commerce in the products of competitors. The agreement fixes resale prices and obstructs the commerce in the products of competitors.

Each year it becomes more difficult to hold in line the bigger and better dealers, as every day new concessions are being offered by the majors to attract this type of accounts.—Maine, Exhibit L-4.28.

This competitive condition has not been conducive to good business practice in this area and has been in keeping with the program of many majors of liquidating their crude at a profit to themselves even tho their particular marketing division did not make money. This in turn has been the controlling factor, in my opinion, in the inability of many independent jobbers to stay on an even keel.—Colorado, Exhibit L-21c.28.

They also employ a bonus contract. The dealer signs this oil contract at the time he signs the gasoline contract. The more oil he sells the larger the bonus. Accordingly he is urged to shoot for the larger bonus and is advised to eliminate completely all competitive motor oils. He constantly impresses the dealer with his bigness and endeavors to advise the dealer how unwise it is to buy from a small company who has no production, no tank cars, steamships, etc.—Michigan, Exhibit L-57.28.

Harry O'Neil refuses to divulge inducements in his "attractive" contract but recently took an operation lease from Standard Oil Co. of Ohio on one of their important super service stations owned in fee at Mount & High Sts.

Apparently this was in consideration of faithful performance in his privately owned station at Town & Front Sts. where he had previously sold large quantities of Kendall.—Ohio, Exhibit L-55.28.

Since this plan has been in effect, the supplying companies have at no time urged a price which would be profitable to the dealer but have under cover prevailed upon these dealers, both lessees and actual dealers to cut their prices in order to move a greater volume, all of which is done at the expense of the dealer and to the detriment of other competition.—Iowa, Exhibit L-75.28.

We are constantly reminded by the 100% controlled operators that they are constantly bedeviled by the controlling company's representatives about handling our products and requested time and time again to remove our signs from display because of some official from the main office making a tour of inspection within ten days or two weeks.—Pennsylvania, Exhibit L-82.28.

The Major Oil Companies are using methods of competition and trade practices that are ruinous and calculated to eliminate the independent producer and refiner, the independent distributor and jobber, and the independent service station operator.

I am unable to give you accurate information regarding 100% stations, but this is as accurate as I am able to give you: 350 stations—75 independents.—New York, Exhibit L-13.29.

The salesmen of the Gulf Oil Company are virtually on the loose. It is "We'll do this and that, and all we ask is, 'Give us the oil business,'" and the car dealers love it. We are now faced with this question and we enter our customers place of business, "How much are you going to give us for nothing and when do we start."—New Jersey, Exhibit L-37c.29.

From the best information we can get at least one half the oil being consumed is being sold direct from the major oil company agents warehouse to the consumer in case lots. This practice will eventually ruin our business.—Texas, Exhibit L-2.29.

There are many more cases where it has meant the loss of from 100 to 500 gallons per year lost for each account.—Florida, Exhibit L-50.29.

In the Portland district alone there are 438 service stations. I am unable to advise the exact number which are major controlled as their various complex forms of control make it difficult to ascertain this fact and the operator is sometimes reluctant to admit that he has gone "100%."—Oregon, Exhibit L-19.29.

L. B. Holton sold his station known as Fourth Oak Oil Co. to a Mr. Schorfer, the money being supplied by Pure Oil Co. as a loan. Again it is impossible to get him to state his reason for immediately disposing of all items except those supplied by Pure Oil Co., but immediately the entire building was repainted and new pumps put in by Pure Oil Co.—Ohio, Exhibit L-55.29.

Due to the fact that the enclosed data covers only the period from 1936 to date, it is not possible for us to show clearly how drastically this policy has curtailed our volume of business since retail gasoline outlets first began to be controlled. For several years prior to 1936 the majors began tying up retailers and therefore Independent Oil Wholesalers like ourselves have not had free access to the market for five or six years prior to 1936.—Florida, Exhibit L-31.29.

Selling to gasoline service stations is practically impossible. Five years ago 90% of our business was secured from this type of outlet, but due to unfair practices of the major oil companies, we were forced to find other sources of business.—Michigan, Exhibit L-25.29.

If this situation is not corrected, it will be only a matter of time until the individual or independent company will be forced to quit the field because their outlets will have been unfairly seized by these major companies. We hope that some means will be found to stop this unfair and un-American practice.—Arkansas, Exhibit L-66.29.

At Douglas, Washington, the Standard Oil Co. put in new pumps, regraded the approaches and fixed up the service station of an independent for 100% contract, to be paid back on a five year basis on a gallonage basis, without interest, and the pumps cost him less than market price.

At Grand Coulee, Wash., they sold John Ford two pumps the same make we sell, for less than market price, with five years to pay without interest, if necessary, payments to be made on a gallonage basis.—Washington, Exhibit L-72c.29.

The American Oil Co. acquired the lease and a check on this station shows they have never reached the average gallonage that this station was doing when operated as an independent. We contend this case proves that if the major companies would only pay a rental based on the actual number of gallons a station could produce under favorable conditions, thousands of independents would not have been forced out of business.—District of Columbia, Exhibit L-73.29.

The volume of lubricating oil which we are moving through service stations handling major companies' gasolines is very, very small, and will continue to be small so long as the major companies continue the present method of control of these outlets.—Iowa, Exhibit L-75.29.

With a total yearly gasoline gallonage in D. C. of 132,103,743, exclusive of Government account totalling 1,739,216, there should be a potential oil gallonage of approximately 2,500,000 gallons. Of this potential we are now getting less than 3%.—District of Columbia, Exhibit L-73c.29.

Whatever the subterfuge, I was shut out and altho my former customer wanted my merchandise and could have sold it to willing consumers, they were forced to buy and sell other products merely because they were manufactured or handled by the controlling major company.—Arizona, Exhibit L-80.29.

The financial resources of the Major Oil Companies are employed to acquire service stations and operate them at a loss to defeat an Independent who is doing a profitable business.

Obviously these policies are merely the man with the money forces the little fellow out as he cannot buy or finance everybody's business as well as his own.—New Hampshire, Exhibit L-76.30.

\* \* \* at prices beyond all reasonable expectations of a profitable return, thereby freezing 87% of the total potential retail outlets.—District of Columbia, Exhibit L-73c.30.

The Major Oil Companies in addition to obtaining control of a service station, build, equip and operate service stations of their own. The fact is that the number of such outlets is insignificant in comparison with the acquisition of outlets by "exclusive dealing arrangements."

Morrill Garage, Portland, was on leased land. Tidewater bid more for the lease than he could afford to pay and put him out of business. We lost 1500 gallons per year by this move.—Maine, Exhibit L-32c.31.

\* \* \* as most of our accounts were ruined by methods you ask for, before 1936. Since 1936 the major oil companies have been building new stations and operating them direct, or if they are leased out they are tied up to where we have never done any business with them. This is the policy that is hurting our business, the major oil companies building their fine stations on every corner and freezing the independents out.—Texas, Exhibit L-2.31.

Major oil company competition in the city of San Antonio, Texas, designed to choke off competition from the independents consists largely of their building and operating their own stations and their despicable leasing of outlets to operators who are not permitted to stock or sell any other merchandise.—Texas, Exhibit L-43.31.

It is no secret that the common procedure today for a major oil company is to lease a location, erect a building, and then re-lease the building and equipment to an individual whom they control as to the type and variety of goods that this individual will offer for sale.—Ohio, Exhibit L-8c.31.

The major companies build their own stations and where ever they decide to do so, lease stations, but largely they are owned. This has gone on to such an extent, that it very largely monopolizes the oil business in our territory. There are many towns in our territory that are absolutely tied up either by their own stations or their leased stations.—Texas, Exhibit L-3.31.

With the numerous large super service stations constructed during the past two years by Standard Oil of Ohio, Pure Oil Co., Texas Co., Gulf Refining and Sun Oil Co., independent gasoline retailers have rapidly disappeared, and the campaigns by Standard Oil of Ohio and Pure Oil Co. for garage and car dealer accounts have further limited the sale of independent oils.—Ohio, Exhibit L-55e.31.

The Major Oil Company by absorbing the wholesaler's function is gradually putting the individual enterprising business man, the distributor and jobber of petroleum products out of business.

The attached report is a condition that exists in hundreds of Service Stations and Garages in the territory I represent as an independent oil jobber. If something isn't done to curb such practices, I as one independent jobber will cease to exist.—North Carolina, Exhibit L-28.33.

Examine any jobbers' books and see how in the last three years his cost of doing business has risen and his average selling price has dropped due to chaotic marketing conditions over which he has no control but which oftentimes compel him to adopt unsound business policies.—Massachusetts, Exhibit L-40.33.

These restraints have had a material effect on business obtainable by us but very fortunately, up to the present time we have not suffered in gallonage to the extent that some of the other independent distributors for the reason that we have different other outlets other than the service stations such as consumer outlets, commercial accounts and independent garages. If this restraint continues it is going to materially affect each independent distributor to the extent that it will be impossible for them to continue operating on a profitable basis which, of course, will mean that they will finally have to retire from that business and leave it to the major companies.—Virginia, Exhibit L-17e.33.

A major oil company salesman (Standard Oil Company of N. J.) recently boasted to the writer that you cannot and will not see any other motor oil in our (Standard) customers service stations. And he is absolutely right. There isn't any.—New Jersey, Exhibit L-37.33.

The continually increasing number of company built, leased or purchased service stations, the gain in 100% contracts which during the past few years has been extended to garages and car dealers, unless there is immediate definite and permanent relief, will within a very few years eliminate every independent dealer from the oil business.—Maine, Exhibit L-32e.33.

We have listed 20 accounts whose average yearly purchases from us have ranged from 300 to 1500 gallons, and whose sales activities have been hampered by major company pressure which comes under the scope of your questionnaire, and which forms a true cross-section of the general condition which now exists.—Louisiana, Exhibit L-45e.33.

For quite a few years this station sold Quaker State Motor Oil and displayed a Quaker State curb sign.

During the latter part of last year this station was remodeled, and since then Mr. Flashner cannot sell anything but Texaco products, Mr. Kensington is the Texaco agent.

The Quaker State business from this outlet has dwindled away to practically nothing.—Louisiana, Exhibit L-47.33.

Just as a matter of information the volume of Quaker State Oil sold thru this station has been steadily decreasing.—Louisiana, Exhibit L-48.33.

Much could be said along this line, but it is unnecessary under present conditions. The small jobber is on his way out.—Texas, Exhibit L-3e.33.

We emphatically state that the independent operator is being slowly but surely choked out of the field by major company competition.—Texas, Exhibit 1-43.33.

We have been distributing motor oils and greases for about ten years and we believe if the large companies are not restrained in their marketing practices, there will not be any independent distributors of petroleum products left.—Michigan, Exhibit L-57.33.

The small group of major gasoline marketers have, by their control of retail outlets, erected an economic toll bridge which enables them to impose charges on independent wholesalers who have to pass these bridges in order to sell goods to the car-owning public.—Florida, Exhibit L-31c.33.

We devoted our efforts to commercial and automobile dealer accounts as there is nothing left for us in the service station accounts. It was a bitter pill to swallow as it cost us considerable time and money to develop service station accounts and then to lose them because of every possible unethical practice of the majors who instead of selling their merchandise on a competitive basis, adopted every practice of monopoly and restraint of trade.—Oregon, Exhibit L-19c.33.

Naturally their greater effort is centered against the Pennsylvania refiners.—Virginia, Exhibit L-5c.33.

\* \* \* I managed to weather the storm, and when general business improved I anticipated a corresponding improvement in my own business. But I was sadly mistaken. I found that a new factor had entered into the picture which shut me out from making sales to a large portion of my former customers.—Arizona, Exhibit L-80.33.

The Major Oil Companies by eliminating the distributor and jobber are increasing unemployment, and creating lower wage standard for the salesman of petroleum products in the different localities throughout the United States.

Our salesmen, of course, work on salary and commission and their commissions have been reduced to a very small fraction of what they were in former years.—Pennsylvania, Exhibit L-36.34.

Number of Employees—I have filled in the number who are in my employ here in Onondaga County although for the past year I could have gotten along with one but retained them both with a decrease in salary.—New York, Exhibit L-38.34.

During the year 1936 our company employed twenty persons and today we have just eight employees.—Ohio, Exhibit L-35c.34.

The sad part of this entire picture is that when the majors take over these stations they sell their own products 100% and on top of that they usually lower the wages of the employees to such a basis that it is nearly impossible for them to go out and buy the many articles of every type of merchandise that they need. These low wages react on sales because these employees make so little that the chain organizations can be blamed for lowering the purchasing power of the country. These majors, by forcing out the independent dealers all over the country, who in the past have paid good wages and employed extra employees, are adding to the increasing unemployment condition.—Ohio, Exhibit L-52.34.

Our salesmen have had their income reduced considerably. Some were forced out of the oil business, because of the low earnings caused by major oil companies closing the channels of securing business. Some of our men are now working on various government projects at small salaries.

If there was a free and open market, we would not be forced to pay starvation wages.—Michigan, Exhibit L-57c.34.

Also it is not hard to visualize the fate of their own salesmen when they have control of all retail outlets as they will no longer be needed.—Exhibit L-60.34.

\* \* \* we are operating with three employees \* \* \*

\* \* \* us to regain half of the outlets that have been taken over by the major oil companies, it would be necessary for us to employ at least five more people.—District of Columbia, Exhibit L-73c2.34.

The Major Oil Companies threaten the Individual Service Station Operator with cancellation of the arrangement of credit extension on motor fuel and motor oil purchases by the consumer holding courtesy cards.

In compliance with your request of April 26, we are enclosing this information which we have made up to the best of our knowledge. We are also sending you a copy of a letter which was written to us by the manager of the local Atlantic Refining Co.

The letter speaks for itself. It shows a threat that we are to lose the privilege of honoring credit cards, if we sell any other oil but the Atlantic products.—Pennsylvania, Exhibit L-42.35.

We have checked your service station several times recently and find you are pushing motor oils other than Atlantic to your customers.

This is to give you notice that the next time we check your station and find you are still pushing Wolfshead, Canfield and other brands of motor oil, we will discontinue the credit card privilege that you are now enjoying.

I believe that you, yourself, feel you are not fair in continuing the credit card privilege and at the same time pushing other oils from which you are not making any more money than you are on Atlantic.—Pennsylvania, Exhibit L-42c.35.

The most prevalent reason for losing the leased station business is the threat of the major oil company of withdrawing the courtesy card privilege, which prevents dealers from purchasing the various brands of Pennsylvania oils requested by their trade.—New Jersey, Exhibit L-26.35.

The major companies such as the Atlantic Refining Co. and the Sun Oil Co. have enforced control by threat of cancellation of the extra margin or threat of courtesy card withdrawal.—Pennsylvania, Exhibit L-22.35.

One evil that has caused a considerable loss of business to the independent marketer and which cannot be determined in any accurate or tangible manner is the practice recently adopted by the major oil companies of extending credit to holders of courtesy cards on a nation-wide basis. This is evidence of collusion to restrict the independent market as the cards of practically every large company in this area will be accepted as a basis for credit by major companies in other sections of the country who have no facilities in this area, and vice versa.—California, Exhibit L-51.35.

\* \* \* never kept an actual record of cost in gallonage \* \* \*

Major companies positively refuse to allow their own stations to buy our product.

Major companies positive threat to take away their courtesy card service if dealer persists in handling any outside products.—Virginia, Exhibit L-5.35.

We wish also to report many instances where the branch managers of major companies have threatened to withdraw the privilege of honoring credit cards unless the dealers refrain from selling competitive merchandise.—Virginia, Exhibit L-35.

I have called on a number of the boys lately that have been customers for some time, that have told me they would have to discontinue buying from me for the reason that Sinclair, Cities Service or Standard have told them they would have to discontinue their credit if they found any more competitive goods in stock.—Kansas, Exhibit L-65.35.

They are also using their credit cards as an inducement to sign independent dealers. This gives one dealer a decided advantage over the other and certainly is not fair.—Washington, Exhibit L-63.35.

The general practice of these major companies is to threaten the operator with the loss of charge account signs, refusing to make repairs to their stations such as painting, etc.—Connecticut, Exhibit L-58.35.

The various penalties threatened are many and varied, some of them being the taking away of the privilege of honoring credit cards, or that the gas company will not keep the station in good repair, and repainting, etc. will have to be paid for by the station operator instead of by the major company. Further, a threat is often used that they will definitely lose their franchise if they handle any other product than that of the major company.—Connecticut, Exhibit L-58c3.35.

Displayed merchandise and advertising sign until notified by the representative of the Sun Company that they must remove our sign and oil from

display or would lose their courtesy card privilege. They complied with this request.—Pennsylvania, Exhibit L-82.35.

Short Service Station, Southport, Conn.: Gallons of Motor Oil purchased from us—1937, 117; 1938, 66; 1939, 24.

For signing up with Sun Oil Company this account received: Free equipment, free paint job and was threatened with withdrawal of courtesy cards.—Connecticut, Exhibit L-83c.35.

The individual distributor and jobber, or the independent Service Station operator, having witnessed for a period of 12 years the gradual reduction of his business and the inaction of governmental bodies in interfering with practice in violation of existing legislation, feels, at present, that efforts for relief from these government bodies is hopeless.

However, is it not possible that an equal amount of energy directed in the form of public education might not be more productive? Just what medium could be used is admittedly a question in doubt. Certain facts could be presented that any monopolistic organization could not deny but might still effect the opinions of certain classes of purchasers.—Illinois, Exhibit L-24.36.

Unless some national movement is made immediately to curb the vicious practices of the majors the outlook for the independent is indeed very dismal.—Maine, Exhibit L-4.36.

We are sorry that we have not time to give you the detailed analysis of the situation here, but believe you will receive from others the exact situation that prevails here. Anything that can be done to help this situation will be greatly appreciated, but feel your efforts are hopeless as long as the major oil companies are given the power to set prices and maintain them exactly equal.—Oregon, Exhibit L-10.36.

We appreciate the tremendous task being undertaken to right such wrongs and pledge ourselves to help correct such practices in-so-far as we can.—Ohio, Exhibit L-35c.36.

The writer has been in this business for 20 years and has never been as apprehensive of the future of the independent fair dealer as at the present time. Many dealers who are very friendly to us have stated that they were afraid of being put out of business unless they agreed to 100% control and in many instances were given a verbal promise that they could continue selling Kendall products, but were ordered to discontinue doing so after lease was signed.—California, Exhibit L-51c.36.

The writer is somewhat skeptical as to the value of legislation as a correction for practices referred to above. Somewhat different methods have to be used but both the objective and the effect undergo little change. Control over these matters is usually by agencies that are largely political and the result is usually that the remedy is worse than the disease.—Illinois, Exhibit L-25c.36.

If these conditions continue for another year it will be difficult if not impossible for an independent oil jobber to remain in business.—Ohio, Exhibit L-55c.36.

Why the government and the state allow this evasion to continue is hard to understand. For instance, the chain store tax in Texas applies if anything other than gasoline oil or grease is sold thru the station. By their method the man who leases the station under their contract may sell anything he sees fit.—Texas, Exhibit L-43c.36.

This particular case is just one of at least 25 others that are on the same basis and which could be very easily verified by anyone with the proper government authority.—Texas, Exhibit L-43c.36.

Since there has been no referee with power to decide the fairness of the toll charges to be made for passing over these bridges, companies like ourselves have had to pay dearly in the form of a reduced volume of business. Surely some laws could be enacted which would penalize rough play in this type of competition between companies in order that less strategically situated companies like ourselves might continue to exist.—Florida, Exhibit L-31c.36.



As three years have elapsed since the majors started their program to restrict sales to their products only and there has been no evidence of relief from their tactics, we have had to reconcile ourselves to the fact that we must relinquish this business to them as they are too big for us to combat. And yet we are selling a product that the car owner wants and yet which we are prevented to enable him to purchase.

Some time after these practices were started an investigator for the Federal Trade Commission spent considerable time in Portland making an investigation of these practices. I consulted with him and know that he secured a good deal of first-hand information by direct contact with the dealers. I presume this information is in their hands.

As previously stated such a period of time has elapsed since the majors froze us out of the service station business that we had practically reconciled ourselves to the fact that nothing would be done.—Oregon, Exhibit L-19c.36.

If the representatives at Washington want to be really sincere in the efficient operation of their position they can easily, by enforcing the laws that are now in effect, do a great service to the big majority that are only interested in equal distribution of wealth and power and in the continued success of the American government.

The attitude that most business men take is—Why should we pay men to go to Washington and make laws if they are not enforced? Without a question the Sherman Anti-trust law and the Robinson-Patman law are two laws that are being constantly abused by big business today.—Ohio, Exhibit L-52.36.

These and similar restraining policies have grown on this industry for a good many years and a very complete file of complaints on a national scale was created and was made a part of an appeal to the Federal Trade Commission about six years ago.

The unemployment law, if it were effectively administered, would undoubtedly throw so much additional expense on the part of major industry oil companies operating under this program that they would automatically have to release their vicious control.

It seems to me that in this existing legislation lies the opportunity to keep on killing this control racket and remove this restraint of trade which has seriously hampered the employment and investment of thousands of small independent oil jobbers.—Ohio, Exhibit L-7.36.

We certainly hope that this investigation will open the situation up, because it is growing worse all the time instead of better, and if it continues it will only be a question of time before the independent oil distributor will be a very minor factor in any of the better waiting stations. Naturally, it is the best outlets on whom the major companies concentrate.—Vermont, Exhibit L-49.36.

If our elected representatives believe in a square deal to all and if they can not be influenced by large interests then I believe that they will remedy this un-American situation, otherwise God help America.—Exhibit L-60.36.

In the first place, our operation is confined almost exclusively within the State of Iowa, where a Chain-Store Tax Law was passed by the Assembly two years ago, a portion of which, as you no doubt are aware, was invalidated by the Iowa Supreme Court. Another attempt was made at the last session, just closed, to enact legislation along those lines, but without success.—Iowa, Exhibit L-64.36.

What is going to happen to independent jobbers like ourselves unless something can be done to stop such unethical transactions?—Washington, Exhibit L-72c.36.

I have been a distributor of independent petroleum products in this section of Arizona for the past fourteen years and may be classed as a small business man, that is, I employ only two persons and do all of the outside selling myself.

I do not know what means may be employed to give small independent business relief. I know that the measures taken in the past have only served to call forth more clever evasions.

I am sure that if the power of the United States Government is not soon invoked to open the channels of trade to free competition, many small business men such as myself will be on relief after many years of hard and productive work.—Arizona, Exhibit L-80-80c.36.

The Major Oil Companies employ fine legal technicalities in order to evade taxation and particularly to eliminate the employees of company owned service stations from the benefits entitled them under the provisions of the Social Security Act.

At the same time this station is operated as though it were independently owned, the oil company having no responsibility under the Social Security Act and thereby sidestepping the various chain store taxes.—Ohio, Exhibit L-8.37:

The purpose of this type of operation is to evade the Social Security Act, the chain store tax and the Unemployment Compensation tax.—Texas, Exhibit L-3.37.

Congress, elected mostly by the great masses of working people and small business men—should protect these people against the large monopolies that take money out of a community adding to the government's great burden of relief and unemployment. Low wages paid by monopolies will eventually reduce the possibility of the masses owning their own homes and paying the different types of taxes, necessary for the successful function of our government.—Ohio, Exhibit L-52.37.

The majority of these lessees are practically starving because of depressed prices and margins and while their working conditions are dictated by the supplying company they hold no responsibility for their income or hours of work. Why not approach from the angle of major company responsibility of the employee for these type outlets?—Ohio, Exhibit L-7.37.

[Western Union Telegram]

ZA 641 74 NL 3 Extra Detroit Mich. 29 1939 Apr. 29 PM 8.03

ADAM DONALD—Care ARTHUR W. RAMSDELL,  
8 East 46 Street, NYK.:

Re Petroleum survey Michigan social security and chain store tax caused majors to transfer control from company owned to leased stations. Major companies always had control of stations and present 30 day cancellation clause lease mere subterfuge. Former managers usually knew lessor necessary to continue employment. Inventory sold to lessor and strict enforcement implied but not written into lease. Advise us if this information desired in questionnaire and under what heading.

C. J. FLEMING,  
Care Versnick Bros. Co., 2531 East Division.  
—Michigan, Exhibit L-56.37.

:30 2531

Under this plan, as you know, the majors lease all of their stations to so-called "lessees." While the major companies are not supposed to exercise any control under these leases, yet we do know that all of the majors still control their stations, and that actually the Iowa plan is only a commission form of payment. The real object of the plan is to evade both the Iowa Chain Store Tax and all Social Security obligations.—Iowa, Exhibit L-75.37.

But again I was sadly mistaken. New methods of evasion sprang up as fast as restrictions were put into effect. Major company agents took leases and shut me out.—Arizona, Exhibit L-80.37.

The Major Oil Companies hold through their expenditure for advertising, quipment, etc., etc., a concentrated influence that makes itself felt with all hannels affecting public opinion.

If this fails, the major companies usually have the sales efforts of one of their subsidiaries directed to these accounts. Sterling is commonly merchandised in this manner.—Illinois, Exhibit L-25.

We should also like you to investigate the exclusive privilege enjoyed by one of the major oil companies in selling their product on the Virginia Skyline Drive, which was a government project being built by C. C. C. Camps, and a project that we would think that there certainly would be no

partiality shown. Before the year 1938 it was our privilege to sell a large quantity of our nationally known brand of oil upon this drive, but we were informed last year that there would be no more competitive brands sold by this corporation, and we were told that the company that now has this business exclusively gained same by a loan that was made, for which they too, took preferred stock. We feel sure that the present Administration in Washington is not in favor of such monopolistic deals, and also feel that if you will investigate as outlined to you, you will get the proper cooperation from the Washington authorities.—Virginia, Exhibit L-6.38.

Possibly the best evidence of how drastic the measures taken by the majors were in 1936, can be realized by referring to the series of newspaper ads mentioned in my letter of Sept. 17, 1936, which ads were run by the Independent gasoline dealers of Portland. In these ads they appealed to the motoring public and advised them of the dictatorial attitude taken by the majors and the fact that on account of these practices by the majors they were restrained from selling the purchasing public the merchandise or oil they preferred. However, as stated in my letter the majors quickly crushed this advertising as it was having an adverse effect on them.—Oregon, Exhibit L-19c.38.

Mr. Reed was recently put off the radio here on account of his vicious attacks on the methods they employ in merchandizing their products.—Tennessee, Exhibit L-62.38

The Major Oil Companies exert their control over the individual operator to the extent of designating or supplying, what and which automotive accessories are to be sold at the service station.

The restraint on these controlled outlets extend even to such items as tires, tubes, batteries, accessories and even to as small an item as anti-freeze.—Virginia, Exhibit L-17c.39.

\* \* \* it is also practically impossible to sell the outlet any other commodities such as tires or batteries. This was also formerly true of the Texas Company, but their attitude with respect to these sundry items changed sometime back when they filed a consent decree with the Federal Trade Commission agreeing that they would cease such discrimination practices.—Virginia, Exhibit L-16.39.

We have no definite proof, but we only know that these things exist. For example, the Shell Oil Corporation have effected an arrangement with certain selected jobbers similar to ourselves to supply the goods we term accessory products, including tires, batteries and other so-called products to their controlled stations on an exclusive arrangement.

The Pure Oil Company is another organization which controls their outlets on tires, batteries and accessories. In fact, the majority of the larger oil companies have some sort of a connection with the major tire companies, making it impossible for us to do business on the brand of tires that we have to offer the dealer.—Ohio, Exhibit L-8c.39.

However, the writer has had twelve years experience in the retail with the service station and the tire business. Large tire companies and major oil companies have, generally speaking, connived in much the same manner to obtain control of as many retail outlets as possible and the establishment of their own individually operated and controlled outlets has been the business death of many independent operators.—Texas, Exhibit L-43.39.

There can be little doubt that manufacturers and wholesalers of tires, spark plugs, batteries, auto accessories, seat covers, etc. have been similarly affected.—Florida, Exhibit L-31.39.

At Chelan, Wash. the Texaco Oil Co. subleased a station to an operator, with all the equipment necessary, except greasing equipment which the operator had to buy and he had arranged to buy it from us, but the company representative came along in the meantime and told him that he had to buy it from Sunset Electric Co., Seattle, presumably because the oil company gets a commission from them.

Oil companies specify to their controlled stations where they shall buy all accessories and supplies, probably for the same reason.—Washington, Exhibit L-72c.39.

Not only are we unable to sell Pennzoil to these 100% stations, but we are also unable to sell any competitive merchandise where the major oil company distributes similar automotive merchandise.

All of the major oil companies do not distribute automotive products, so it is difficult to estimate the proportion of the market in the gasoline stations that are closed to us.

We believe that it amounts to 50% of the volume of the total six-hundred and nineteen stations in the District.—District of Columbia, Exhibit L-70-70c.39.

They are not only eliminating competition in their petroleum products but are now selling all sort of automotive products, even putting their own accessory trucks out to supply the trade. This will be forced on their accounts in the same way their own products are which will within a short time put the automotive jobbers out of business.—Exhibit L-60.39.

The Major Oil Companies dominate the distribution function of the retail outlet as to the kind and type of products that it will supply the consumer, in order to force consumer acceptance of major oil company's approved line of products, with an autocratic dominance best expressed in the terms "the public demands be damned."

To my knowledge the oil industry is the only type of business in the country in which the small retailer cannot exercise his own judgment in giving his customer the brand he prefers or asks for. Can you imagine a cigar store carrying only one brand of cigarette exclusively, or a drug store with only one brand of tooth paste, or a food store with only one brand of coffee?—Massachusetts, Exhibit, L-41c.40.

It seems to this writer that there can be no doubt that consumers have been adversely affected by this control, also. For several years a large number of car owners have found it impossible to purchase many of the products and some of the brands of merchandise which they would normally choose.—Florida, Exhibit L-31c.40.

I want to especially call your attention to two of these accounts. First, Russell Harp, Inc., of Akron, Ohio, who in 1937 gave us 5,000 gallons of oil business. During the entire time of my business experience with this concern they were being granted extra credit extensions by the Pure Oil Company. After Mr. Harp's financial condition was in such shape that he couldn't make all his payments on demand, the Pure Oil Company took over his lease, throwing out all products except those made by the Pure Oil Company. This was a loss of 5,000 gallons of Kendall Oil to us from one account only.—Ohio, Exhibit L-52.40.

This, of course, means that in every case where this has happened, the retailer has changed as far as we are concerned from a desirable account to one who sells Quaker State only where the public insists on it.—Vermont, Exhibit L-49.40.

This station under a lease to Standard Oil Co. Of La., they having recently furnished all new and modern equipment. Apparently they have no great objection to the sale of competitive oils only, but will not allow any oils to be displayed whereby the customer sitting in his car can identify same as being sold here. Am of the opinion this is somewhat of a personal set-up of friendship between the Standard Oil salesman and the operator, more than through the Standard Oil Co.—Louisiana, Exhibit L-53.40.

A controlled operator generally is denied the benefits of buying competitively most of the products he sells. He is denied the privilege of offering for sale many products which he could sell profitably, and is forbidden to handle many brands of merchandise which his customers could and would buy from him if given a required opportunity to do so. These factors have greatly reduced the earnings of nearly every gasoline retailer whose station is leased or otherwise controlled by a major.—Florida, Exhibit L-31c.40.

Here in Cedar Rapids a former Pennzoil Booster took over the operation of a Texas Station, which had in the past been unprofitable to all Operators. By his personal efforts he has made this a paying outlet, and although they made no objections to his handling Pennzoil when he first took it over, they have since forced him to discontinue our product through threats of can-

celling his lease, raising the rent, or refusal to renew upon expiration. He don't want to take a chance of losing the business which he has worked hard to build.—Iowa, Exhibit L-64-64c.40.

Alexander Service Sta., Glastonbury, Conn.: Gallons of Motor Oil purchased from us—1936, 198; 1937, 543; 1938, 325; 1939, 54.

This account received an additional margin on motor oil from Tidewater Oil Co. distributor as an inducement to stop pushing the sale of our product.—Connecticut, Exhibit L-83.40.

The Major Oil Companies employ their enormous buying power as a means of forcing independent owners and operators of garages, car dealers and repair shops, into signing "an exclusive dealing arrangement" under the guise of reciprocity in business.

The next big thing we have to overcome is the infinite variety of reciprocity deals.—Missouri, Exhibit L-23.42.

We not only have had discouraging experiences with service stations but also with car dealers. We have two cases on hand now where the Atlantic Refining Co., whenever it appears that we are going to be able to sell the dealer, purchase one or two automobiles which prevents us from getting the order.—Pennsylvania, Exhibit L-22c.42.

\* \* \* concentrate our efforts solely on the independent garage and car dealer. Offsetting this, the major company has their repair work done not from where he gets his business but with our accounts. Purchases of new equipment are usually handled in the same manner.—Illinois, Exhibit L-25c.42.

Many of the major oil companies maintain a star staff of "reciprocity Agents" whose duties are to check up the balance between purchases and sales with commercial accounts and in order to ferret out information of this kind it would be necessary for you to have some investigator in the role of salesman to obtain first hand information.—California, Exhibit L-51.42.

The large oil companies are exercising another type of control which is freezing out the small business man. Due to the millions of dollars in purchasing power, they frequently go to a local car dealer and purchase motor equipment if the dealer will carry their products 100% and drop out other hands of products. Such a case is Henry A. McClellan, 901 Mine Street, Jacksonville, Florida. We were selling this account about 700 gallons per year and because of the purchase of motor equipment by Sinclair, all products except Sinclair were dropped.—Florida, Exhibit L-50c.42.

Sometime ago a fleet truck operator who was a customer of ours was lost to us because a major company offered them a volume of trucking business in return for their oil and grease business. This is something we could not offer. We sold our goods on the basis of quality and service and the major sold theirs on the basis of reciprocity. The trucking concern went so far as to say they preferred our merchandise, but could not turn down the offer for business.—Ohio, Exhibit L-35.42.

Another method of getting a car dealers business is to start sending a considerable portion of their repair business on trucks and cars to a dealer who had never handled any of their products, and then later offer to purchase a certain number of units either or both of trucks and cars.—Iowa, Exhibit L-64c.42.

During the past year the expanding use of major company credit cards has served to make inroads into the small portion of independent business remaining to me. Lately, the reciprocal interchange of credit card facilities between groups of major oil companies has increased this tendency. A consumer may prefer independent merchandise, but he is pressured into buying the products of monopoly thru methods available only to monopoly.—Arizona, Exhibit L-80-80c.42.

The Major Oil Companies re-write their contracts to employ such legal technicalities as will enable them to evade Social Security Taxes which the Independent must pay.

There are also some cases where the company originally owned the station and since sold it to an operator, but made the same sale on a contract which permits him to sell only those items which the company approves.—Vermont, Exhibit L-49.43.

Altho stations were absolutely controlled, the operator by subterfuge became an independent business man legally and was not subject to various unemployment and other taxes designed to aid social security. I have to pay such taxes on the wages of my employees.—Arizona, Exhibit L-80.43.

### HISTORY OF LEGAL STEPS AND COMPLAINTS

The purpose of this section of the report is to point out that Independent Producers, Refiners, Marketers and Jobbers of petroleum products instituted from time to time legal steps to obtain relief from practices interfering with the distribution of their products. Due to the specialized type of retail outlet generally termed throughout the oil industry as "Service Station," it is necessary that background be developed showing the origin and growth of this new and highly specialized outlet, and therefore, this history will be divided into the following sections:—

Beginning of the Service Station Outlets.

Growth and Expansion of this Type of Outlet through the Promotional Efforts and Individual Initiative of the Small Business Man.

Entering of the Major Oil Companies in the Retail Field in Competition with the Small Individual Business Man and Originator of the New Type of Outlet.

Investigation undertaken by the Federal Trade Commission in response to Senate Resolution directing that a report be submitted on the Petroleum Industry—June 1926.

The methods employed by the Major Oil Companies to obtain control of Service Stations and to monopolize Petroleum Product Distribution through control of Retail Outlets.

Action taken by Pennsylvania Grade Crude Oil Association for issuance of a Complaint against the Major Oil Companies attacking the practice of making so-called Exclusive Dealing Arrangements.

Report of the Federal Trade Commission covering the Investigation undertaken prior to the enactment of the National Industrial Recovery Act.

The Code of Fair Competition of the Petroleum Industry—Rule covering the subject of Lease and Agency and Lease and License Agreements.

Memorandum on behalf of Pennsylvania Grade Crude Oil Association filed by attorneys representing Trade Associations, Producers, Refiners, Wholesalers and Retailers opposing Exclusive Dealing Arrangements, signed by Newton D. Baker, A. Mitchell Palmer, Howard F. Burns, J. Villard Frampton, E. C. Breene and E. J. Jones.

Decision of the Administrator for the Petroleum Industry on the Provisions of Article 5, Rule 19, of the Code of Fair Competition.

Letter from the Federal Trade Commission concerning the questions submitted to the Commission on March 4, 1935 with reference to Lease and Agency, Lease and License and other forms of exclusive dealing arrangement.

Invalidation of the N. R. A. Code in May, 1935.

Filing of brief by the Attorneys for Group of Oil Refining Companies with the Chairman of the Subcommittee of the Committee on Interstate and Foreign Commerce.

Report on Marketing Facilities to Chairman William P. Cole, Jr., Chairman of the Sub-committee of the Committee of Interstate and Foreign Commerce, House Resolution 441, March, 1935.

Confidential Bulletin #30 to all Contributing Companies from F. S. Packard, Chairman of the American Petroleum Industries Committee, Central Division.

Final Report of the Marketing Division of the Petroleum Administrative Board, June 1936.

The increased distribution of motor fuel and motor lubricant products to the ultimate consumer during the period from 1907 to date, has been through a retail outlet generally designated throughout the oil industry as a service station.

The growth of this type of outlet has been phenomenal and up until about 1926, all Producers and Refiners enjoyed a free and open market for their products in supplying the independent operator of the service station.

From 1926 forward, concerted action on the part of groups of competitors within the general classification of the Major Oil Companies, introduced practices aimed at controlling the sole retail outlet for petroleum products. The Independent Producers and Refiners upon finding that the concerted efforts employed by the oil companies of the Major groups effected the closing of a free and open market for their products, undertook the necessary legal steps to bring to the attention of the appropriate administrative bodies of the government, practices of a monopolistic nature.

The setting forth in chronological order of the steps taken is to supply evidence that the Independents exerted every effort on their part to protect their business, their industries and their investment.

In reciting in chronological order the development of the service station as an outlet and the growth and expansion of the business of the oil producing and refining companies, such comments as may be made should be regarded as emanating from the sales marketing point of view and not as assuming or presuming to give opinions on matters of law and legal proceedings.

The sales and marketing point of view is concerned with the consumer's point of view, and with methods, operations and mechanism incident to bringing to the market the products that the consumer demands. In fact, the sole object of producing products is that of supplying the demand of the ultimate consumer.

#### BEGINNING OF THE SERVICE STATION OUTLETS

The automobile industry from 1907 on expanded greatly due to the general adoption by the ultimate consumer of this new mode of transportation. With the increasing and widespread use of the automobile, motor fuel and motor lubricants became more and more in demand, and as a consequence, awaiting for discovery by an enterprising business man was the Service Station, i. e., facilities to serve increasing numbers of automobile owners.

In truly typical American fashion, an individual, an enterprising business man, saw the opportunity of starting a business, the sole object of which was to supply automobile owners with motor fuel and motor lubricating products. He opened what he termed "an oil and gasoline station" consisting of barrels of motor oil, a tin measure or two, a wrench, and some large tanks of gasoline. Automobile owners thus were provided with the facilities to conveniently obtain petroleum products required for the operation of their automobiles. Gradually, other individuals opened similar stations in different part of the country. This type of retail outlet increased in number in the succeeding ten years.

During this period of development, individual enterprising business men invested their savings in gas and oil stations, and as the number of automobiles in use increased, their business likewise increased, so that from a very small beginning and with little money, an individual, undertaking the full risk incident to the investment and development of an enterprise, started a new business.

#### GROWTH AND EXPANSION OF THIS TYPE OF OUTLET THROUGH THE PROMOTIONAL EFFORTS AND INDIVIDUAL INITIATIVE OF THE SMALL BUSINESS MAN

In time, gasoline and oil stations became known as service stations. Operation of this type of outlet is best reflected in the following figures from National Petroleum News, February 5, 1936:

1907—Beginning of a service station

1920—15,000 service stations throughout the United States

The following figures are from the Bureau of Census, Retail Distribution 1930, Census of American Business 1933—Census of Business 1935:

1930—121,513 service stations throughout the United States

1933—170,404 service stations throughout the United States

1935—197,568 service stations throughout the United States

From 1907 to about 1914, service stations were operated principally by the individual business man. About the beginning of 1914, the larger oil companies built and operated service stations of their own. A few large and very expensive structures were built in different parts of the country.

The undertakings of these large oil companies were not hampered with the limitations experienced by the individual business man operating a service station. Money was spent in large amounts in the construction of very elaborate buildings to be used as service stations. The Major Oil Companies by building their own service stations thus created outlets to compete with the small individual business man.

**ENTERING OF THE MAJOR OIL COMPANIES INTO THE RETAIL FIELD IN COMPETITION WITH THE SMALL INDIVIDUAL BUSINESS MAN AND ORIGINATOR OF THE NEW TYPE OF OUTLET**

During the period of 1920 to 1929, service stations were opened by individual business men in increasing numbers throughout the country. The Major Oil Companies competed with one another for the business of the service station. Competition was not limited to price differentials, but was expanded to include loaning of gasoline pumps and equipment to the operators of the stations and, gradually competition became so keen that the Major Oil Companies vied with one another to obtain the business of the service station. Gasoline pumps and tank equipment were loaned to any responsible individual who wished to open a service station. This practice accounted in large part for the phenomenal increase of service stations from 1920 to 1929.

With the loaning of equipment, a type of contract came into existence the purpose of which being to establish ownership of the equipment and to guarantee to the oil company supplying the equipment the business of the operator of the service station. Coincident to the loaning of equipment, The Major Oil Companies undertook to build their own service stations throughout the country, and integration of operation by the different oil companies was extended to include the retailing functions.

At first, the Major Oil Companies constructed their own service stations; however, about 1926, Major Oil Companies gave more attention to gaining control of the individual service station and at about this time "lease and agency" stations became very common. This agreement or contract device enabled the Major Oil Companies to obtain control of the service station to assure an outlet for their petroleum products and at the same time reducing the expenditures incident to building service stations, company owned and operated.

**INVESTIGATION UNDERTAKEN BY THE FEDERAL TRADE COMMISSION IN RESPONSE TO SENATE RESOLUTION DIRECTING THAT A REPORT BE SUBMITTED ON THE PETROLEUM INDUSTRY—JUNE 1926**

During the period of 1914 to 1926, practices of the Major Oil Companies had become of such character as to prompt a Senate Resolution as follows:

Senate Resolution 31, 69th Congress, First Session, adopted June 3, 1926.

Resolved, That the Federal Trade Commission, be, and is hereby directed to investigate and report to the Senate in the next session of Congress:

First—The very material advances recently made in the price of crude oil, gasoline, kerosene and other petroleum products, and whether or not such price increases were arbitrarily made and unwarranted.

Second—Whether or not there has been any understanding or agreement by the various oil companies or manipulations thereby to raise or depress prices, or any conditions of ownership or control of oil properties or of refining and marketing facilities in the industry which prevent effective competition.

Third—The profits of the principal companies engaged in the producing, refining and marketing of crude oil, gasoline, kerosene and other petroleum products during the years 1922, 1923, 1924 and 1925, and also such other matters as may have been bearing upon the subject covered by the provisions of this resolution.

Excerpts from the report on petroleum industry made by the Federal Trade Commission in response to Senate Resolution 31, are included herein as (Exhibit A).

Page 9—Reports on the phenomenal growth of the gasoline service station in the United States.

Pages 255, 256, 257, 258, 259 containing a description of the exclusive dealing arrangements, concluding with the statement, Page 259,



In view of the fact that the Commission is considering the legal aspects of these exclusive dealing arrangements, no opinion is expressed in this connection.

The report was transmitted to the Senate, December 12, 1927, Senate Document 61, 70th Congress. This type of contract became known as a "lease and agency" type of contract.

**THE METHODS EMPLOYED BY THE MAJOR OIL COMPANIES TO OBTAIN CONTROL OF SERVICE STATIONS AND TO MONOPOLIZE PETROLEUM PRODUCT DISTRIBUTION THROUGH CONTROL OF RETAIL OUTLETS**

Lease and Agency contracts effected complete control of the service stations by the Major Oil Companies with whom the owner and operator of the service station entered into contractual relationship. Major Oil Companies vied with one another in signing up the business man operating his own station. The business man had made the investment in the property and the contract assured him of a dependable source of supply of the principal petroleum product in demand by automobile owners, i. e., gasoline. The Major Oil Companies on their part undertook to improve the properties of the owner and operator which included the installation of more modern service station equipment. As a consequence, the "lease and agency" type of contract placed in the hands of the Major Oil Companies complete control of the service station, clauses of ownership being avoided. This control being extended to the extent of specifying that the agent is not to store or sell in the premises any petroleum products other than those furnished by the company. The Major Oil Company, therefore, obtained an exclusive outlet for its motor fuel product, gasoline, and its motor lubricant product, motor oil.

Gradually, the full provisions of the contract were enforced and various ways and means were found to force the operator of the service station to eliminate all motor oil products other than those produced by the Major Oil Company holding the contract. The effects of the enforcement of the various clauses of the "lease and agency" contract were soon felt by the Independent Producers and Refiners, as year after year the distribution of their products was denied distribution through the service station.

Service station operators prior to signing the contract carried a line of motor oil products such as would meet the demand of automobile owners, i. e., the ultimate consumer. A free and open market existed. Each Independent Producer and Refiner enjoyed a free and open market in which to dispose of his products. The business of the Independents continued to expand in proportion to the demand of satisfied customers for their product.

The service station operator had that freedom inherent to the individual initiative of the business man, to buy products offered by Independent Producers and Refiners seeking his outlet as a means of distributing products to the ultimate consumer.

After the signing of the contract, Major Oil Companies employed coercive methods, such as, threats of cancellation of the contract, carrying with it, of course, the termination of the source of supply of gasoline. As the individual operator of the service station acquiesced to the demands of the Major Oil Companies, the products of the Independent Producers and Refiners of motor oil were denied distribution through the service station outlet and consumers were denied the opportunity of obtaining the kind and type of motor oil that they demanded.

This type of contract was employed by all of the large integrated producers and refiners of petroleum products. Competition was reduced to competition between the groups of competitors who employed this type of concerted action in obtaining control of service stations, and by an equal degree of concerted action on the part of the various Major Oil Companies, the motor oil products of the Independent Producers and Refiners were denied distribution through all service stations regardless of which Major Oil Company controlled the station through the "lease and agency" type of contract.

ACTION TAKEN BY PENNSYLVANIA GRADE CRUDE OIL ASSOCIATION FOR ISSUANCE OF A COMPLAINT AGAINST THE MAJOR OIL COMPANIES ATTACKING THE PRACTICE OF MAKING SO-CALLED EXCLUSIVE DEALING ARRANGEMENTS WITH DISTRIBUTORS

(Exhibit B)

Independent Producers and Refiners of motor oil who are members of the Pennsylvania Grade Crude Oil Association, undertook the appropriate procedure of the filing of a complaint before the Federal Trade Commission during December, 1931.

REPORT OF THE FEDERAL TRADE COMMISSION COVERING THE INVESTIGATION UNDERTAKEN PRIOR TO THE ENACTMENT OF THE NATIONAL INDUSTRIAL RECOVERY ACT

(Exhibit C)

Prior to the completion of the report of the Federal Trade Commission, the National Industrial Recovery Act became a law. As a consequence, the final report and decision by the Federal Trade Commission was not rendered; however, Chief Counsel, Robt. E. Healy, prepared a memorandum for the Commission—re: "lease and agency," "lease and license," methods of marketing of petroleum products.

(Pages 1 to 8 inclusive) contain the detailed analysis of the principal terms of the "lease and agency" agreements. After the analysis of the different types of agreements, this statement is made:

(Page 8—Paragraph 1)

"I assume, and there is considerable support for the assumption, that one of the reasons why the Major Oil Companies adopted the "lease and agency" method was to evade the law relating to resale price maintenance, price discrimination and tying contracts but as the Supreme Court in *Superior Oil Company vs. Mississippi*, 280 U. S. 395, speaking through Justice Holmes, said:

"the fact that it is desired to evade the law, as it is called, is immaterial, because the very meaning of a line in the law is that you intentionally may go as close to it as you can if you do not pass it."

(Page 8—Paragraph 2)

"The problem I am wrestling with has not been decided by the Courts so far as I can learn. Good lawyers differ about it. The question is a close one; so close that a conclusive answer cannot be found except through a test case in the Courts. *However, I submit my views as directed by the Commission.*"

(Pages 8 (bottom) and 9 (top)) Discuss at some length the legal point of view on the question as to whether or not the "lease and agency" contracts are genuine lease contracts with agents.

(Page 9—Paragraph 1) Statement is made:

"My conclusion is \* \* \* the lease and agency contracts are actual genuine leases and actual genuine contracts of agency \* \* \* *However, in my opinion, there is reason to believe that through this successful evasion of the law, the major oil companies have accomplished certain results which the law as it was administered prior to the enactment of the National Industrial Recovery Act, and the approval of the Codes thereunder, regarded as evil* \* \* \* Likewise, the companies could not contract with the owner of a service station to handle their products and none others without taking the serious risk of violating Section 3 of the Clayton Act, but by the lease and agency device, they could and did accomplish the same result."

(Page 10—Paragraph 1)

"I shall next discuss a fourth charge against the major oil companies. It may be stated as follows: \* \* \* by obtaining leases of a large number of established service stations have closed the channels of distribution or trade outlets to other refiners and distributors, have unreasonably restrained trade and violated the Sherman Act and the Federal Trade Commission Act."

(Page 11—Paragraph 1)

\* \* \* "They estimate that the members of the Pennsylvania Grade Crude Oil Association have lost more than fifty percent of their distributors in Virginia, North Carolina, South Carolina, Georgia, and Kentucky, and the Commission files contain communications from numerous complainants who claim that in the states just named the lease and agency method has resulted in closing numerous retail outlets for their products."

(Page 11—Paragraph 2) Contains comparisons of the sales of gasoline of a number of the Major Oil Companies during 1929 when the "lease and agency" contracts were not much used, and the sales of the same companies during 1930, a year in which the "lease and agency" plan was in full force for the four companies mentioned. The analysis, however, *confines itself to comparison of sales of gallons of gasoline and does not present any figures whatsoever on the increased sales of gallons of motor oil products of the four companies reported upon.*

(Page 13—Paragraph 1)

\* \* \* "It has, however, been frequently held by the courts that there are many acts which one may perform without violating the law if one acts independently but which violate the law when adopted in concert."

(Page 13—Paragraph 3)

"The lease and agency contracts are not precisely uniform. They are much alike in substance. In my opinion, there is reason to believe that certain major oil companies have cooperatively and in concert perfected, adopted and furthered the use of, lease and agency contracts, quite alike in substance, and have thereby violated Section 5 of the Federal Trade Commission Act."

(Page 14—Paragraph 1)

"In my opinion there is reason to believe that certain of the major oil companies have used oppressive and coercive methods to bring about the execution of lease and agency contracts by service station operators and in one section more lately to force a revision downward of commissions and rentals payable to said agents."

(Page 15—Paragraph 2)

"I will next discuss the *lease and license* method of marketing petroleum products. The lease and license method may be briefly described as that method whereby a company producing petroleum products obtains from the proprietor of an established filling station a lease of said station and then gives him a license to sell the company's products therein although there are numerous instances where the license is issued to some person other than the original proprietor from whom the lease was taken."

(Page 16—Paragraph 1) Reports findings of Investigation Committee showing that certain of the major oil companies are abandoning the agency method and adopting a policy of asking persons who made contracts under the "lease and agency" plan to accept license in lieu of agency contracts. After reporting the findings of the investigators, the following is set forth:

\* \* \* "It is believed that the lease and agency stations are still in the majority but there seems to be a tendency away from that method to the lease and license method. This is believed to be due principally to the fact that chain store tax laws are increasing in number and in amount of tax per unit. In keeping with the theory that persons in charge of stations are company agents, various states have claimed that the oil companies are conducting chain stores with as many units as there are lease and agency instances, and one of the companies states that the appointment of an agent exposes the company to the danger of liability for injuries caused by the negligence of the agent and to the possibility of liability to the agent and his employees for injuries sustained while engaged in the company's service."

(Page 17—Paragraph 2)

"The most difficult legal question arising from the lease and agency method is not present in the case of lease and license because it is perfectly plain that the licensee is a purchaser from the company and is not the company's agent."

(Page 17—Paragraph 3)

"Evidence has come to my attention which gives reason to believe that certain oil companies have violated Section 2 of the Clayton Act in selling to licensees at discriminatory prices. Commission examiners report evidence tending to show that station operators who sign up for lease and license are by some companies given better prices than those who refuse to sign."

(Page 17—Paragraph 4)

"The charge has also been made that in carrying out this lease and license method of marketing certain oil companies have made tying contracts in violation of Section 3 of the Clayton Act. \* \* \* I feel that there is reasonable ground for believing that the effects described in Section 3 of the Clayton Act flow from this arrangement. The more difficult legal question is whether the contract is a tying contract. It is claimed on one side that the tying provision relates only to the use of the licensor's premises, and that the licensor having obtained legal possession of the premises has the right to specify that the products of his rival shall not be sold there. The claim on the other hand is that the tying provision is appurtenant to the sale of the products and is therefore within the prohibition of Section 3 of the Clayton Act. Viewed in either light the practical effect is to exclude all petroleum products except those of the licensor from premises formerly operated independently and open for the sale of all such products as the proprietor was willing to sell. \* \* \* Here again good lawyers differ as to the correct answer to this difficult legal problem. \* \* \* I think the lease and license and fuel sales agreements should all be construed together. (See Texas Co. vs. Northrup, Sup. Ct. of Appeals, Virginia, 153 S. E. 659), and that so construed the whole arrangement is one for the marketing of the licensor's products and is a tying contract within Section 3 of the Clayton Act, and that there is reason to believe that said Section has been violated through the lease and license contracts and that thereby Section 5 of the Federal Trade Commission Act has been violated also.

(Page 19—Paragraph 1)

\* \* \* "It is appropriate for me to observe that the lease and license method closes what were formerly normal retail outlets to refiners of gasoline and to brands of lubricating oil not controlled by the licensors, and that the arrangement is to the disadvantage and detriment of said refiners and producers of said oil."

It will be noted that Chief Counsel Robt. E. Healy gave opinion of violation—(Page 9—Paragraph 1)—(Page 13—Paragraph 3)—(Page 14—Paragraph 1)—(Page 17—Paragraph 3)—(Page 17—Paragraph 4).

THE CODE OF FAIR COMPETITION FOR THE PETROLEUM INDUSTRY—RULE COVERING  
THE SUBJECT OF LEASE AND AGENCY AND LEASE AND LICENSE AGREEMENTS

(Exhibit CC)

The preamble to the National Industrial Recovery Act, Section 1, states that it is declared to be the policy of Congress to:

- (1) Provide for the general welfare by promoting the work of the Industry for the purpose of cooperative action among trade groups;
- (2) Eliminate unfair competitive practices;
- (3) Reduce and relieve unemployment; and,
- (4) Rehabilitate Industry.

To accomplish these ends, Section 3 (a) of the Act, provides for the submission of codes of fair competition by Representative Trade Associations or groups and for their approval by the President.

Fifty-nine trade associations, each representative of some division of the marketing branch of the oil industry, met in Chicago, June 22-24, 1933, for the purpose of arriving at an agreement on a Code to be submitted to the National Recovery Administration. The result of this conference was the submission of a code containing alternate proposals on the exclusive dealing question. The proposals made follow:

*Alternate Proposal # 1*

"It is hereby declared an unfair trade practice for any refiner, distributor, wholesaler, or jobber to contract or in any way, orally or in writing, directly or indirectly whether by Lease and Agency, Lease and License, or any other manner enter into any agreement with any dealer, service station operator, or vendor of petroleum products, which agreement provides for or purports to provide for the exclusive sale or distribution of the products of said refiner, distributor, wholesaler, or jobber:

"Provided this provision shall not apply

- (a) where the dealer, service station operator or vendor of petroleum products occupies a station or place of business which is owned in fee by such refiner, distributor, wholesaler or jobber.
- (b) or where held by such refiner, distributor, wholesaler or jobber under a valid and binding lease, and where the premises at the time the lease was executed were not improved with any building or other facilities or equipment for the sale or storage of petroleum products, or,
- (c) held by such refiner, distributor, wholesaler, or jobber under a valid and binding lease for a period of at least five years where the lease provides for a substantial rental not determined by the volume of petroleum products sold at the premises and where the lease does not contain any provision permitting either party thereto to cancel or terminate it or the term thereby granted before the expiration of five years from the beginning of such term.

"Nothing in this rule shall be construed as preventing any refiner, distributor, wholesaler, or jobber from making a bona fide lease as above set forth and subleasing said site and improvement to anyone at the same rent paid by the sublessor plus a fair return of the investment put thereon by the sublessor and provided further that the compensation allowed the sublessee and/or operator shall not exceed the compensation, if on a gallonage basis, allowed generally to retailers not operating under contractual obligations.

"All such leases and subleases shall be recorded before becoming valid.

"All existing contracts or sales agreement which constitute unfair trade practices, as herein defined, should be terminated as promptly as practicable in keeping with the spirit of the rule."

*Alternate Proposal # 2*

"Refiners, distributors, jobbers, or wholesalers may acquire for any period by lease, sublease, or by assignments thereof service or filling stations, or sites for same; and any service or filling station or site therefor so acquired may be leased, subleased or licensed by such refiner, distributor, jobber, or wholesaler to the owner or lessor thereof, or to any other person to be operated as a filling station for the distribution of the products manufactured or sold by such refiner, distributor, jobber or wholesaler, or such refiner, distributor, jobber, or wholesaler may employ the owner or lessor thereof or any other person as the agent of such refiner, distributor, jobber, or wholesaler for the sale of petroleum products thereat. Nothing herein contained shall require anyone acquiring such lease, sublease or assignment of lease to record or file it in any public record. Nothing herein contained shall modify or limit the provisions or effect of Rule 2 hereof or permit the installation at any place leased, as herein provided, of any equipment prohibited by Rules 1 or 2 hereof."

The Administrator for the Industrial Recovery engaged a committee consisting of representatives from each of the conflicting groups, and this committee proposed Article V, Rule 19, as a compromise. Rule reads as follows:

Rule 19. Pending decision by the Federal Trade Commission as to whether the lease and agency, lease and license methods of marketing petroleum products constitute an unfair trade practice:

- (a) No new contract shall be written under either method,

- (b) Any such contracts now in effect shall not be renewed for a period exceeding one year, and the cancellation privilege shall be on notice not exceeding thirty days,
- (c) Provisions of Rules 7 and 8 shall apply in all instances to existing lease and agency and lease and license contracts and to renewals, as above defined,
- (d) In so far as lease and agency and lease and license agreements are concerned, the provisions of Rule 15 shall not apply to soliciting the sale and purchase of petroleum products, and
- (e) Should the Federal Trade Commission fail to render a final decision on the validity of lease and agency and lease and license agreements within 60 days of the effective date of this Code, the President, or agency designated by him, may make a final decision prohibiting such marketing methods, or, authorizing them without condition or upon such conditions as he or it may prescribe; or the President or agency designated by him may in his or its discretion temporarily prohibit the use of such marketing methods pending the decision of the Federal courts, or he or it may temporarily authorize such methods pending decision of the Commission and of the courts, either without condition or upon such conditions as he or it may prescribe."

The code was signed by the President, August 19, 1933.

MEMORANDUM ON BEHALF OF PENNSYLVANIA GRADE CRUDE OIL ASSOCIATION FILED BY ATTORNEYS REPRESENTING TRADE ASSOCIATIONS, PRODUCERS, REFINERS, WHOLESALERS, AND RETAILERS OPPOSING EXCLUSIVE DEALING ARRANGEMENTS

(Exhibit D)

A memorandum on behalf of Pennsylvania Grade Crude Oil Association was submitted to the Federal Trade Commission.

(Exhibit E)

Under date of November 1st, 1933. The Hon. Charles A. March, Chairman of the Federal Trade Commission, addressed a letter to General Hugh S. Johnson, Administrator of the National Industrial Recovery Administration, by direction of the Commission.

(Page 1—Paragraph 3)

"This action the Commission has declined to take for reasons hereinafter stated."

(Page 2—Paragraph 3)

\* \* \* *"Because of active concert between various oil companies in the employment of these agreements, and because there is some indication of the elimination of competition as to rentals and commissions, and because of the use of oppressive and coercive methods in securing the execution of these agreements, the oil companies have engaged in unfair methods of competition in violation of Section 5 of the Federal Trade Commission Act."*

(Page 2—Paragraph 4)

*"The Commission has reason to believe that the lease and license agreement, as distinguished from the lease and agency agreement, has been employed to bring about price discrimination and has been accompanied by tying contracts, and that its employment to effectuate these ends constitutes a violation of law, especially insofar as tying contracts are involved inasmuch as no provision of the Petroleum Code seeks to legalize such a practice."*

(Page 2—Paragraph 5)

\* \* \* *"Though the Commission is, of course, aware that Section 3 (b) of the National Industrial Recovery Act preserves intact its powers under the Federal Trade Commission Act, it has deemed it in the public interest to hold in abeyance action as to the issuance of a complaint inasmuch as action by "The President", or agency designated by him", may make the issuance of such a complaint wholly unnecessary either by prohibiting such marketing methods, or authorizing them."*

X. *Decision of the Administrator for the Petroleum Industry on the Provisions of Article 5, Rule 19, of the Code of Fair Competition*

(Exhibit F)

At a later date, the President designated Secretary of the Interior, Hon. Harold L. Ickes as administrator for the petroleum industry.

Under date of March 4, 1935, a decision was made by the administrator. (Page 11—Paragraph 1) of the decision the following appears:

\* \* \* "If, therefore, it is found that under existing standards a practice is unfair, or if it is found that a practice operates to create a restraint of trade which will discriminate against or oppress small enterprises, *there is adequate ground for a Code prohibition.*"

(Page 16—Paragraph 1)

"I find, regardless of the possible application of prior legislation, that the small independent marketers of petroleum products other than gasoline have been placed at a distinct and unfair disadvantage through lease and other arrangements compelling exclusive handling of products."

There follows then a discourse of the results of the practices upon the business of independent companies, etc.

(Pages 20, 21, 22, 23)

\* \* \* "I feel, therefore, that it is inadvisable in the present state of the record to prohibit finally the practice of giving price advantages to operators of leased stations through the payment of rent or otherwise. *I, therefore, have chosen to prohibit differentials in favor of exclusive accounts only where the standards of prior legislation are clearly violated. That is to say, the practice of discriminating in price in favor of operators who are neither lessors nor bona fide agents must cease.*

Another feature of exclusive contracts that is objected to is that they are not mutual as between the operator and the supplying company. This does not prima facie make the writing of the contract unfair. Here again, however, the operation of the practice is significant. *Retail dealers have had no option but to accept contracts cancellable only by the supplying because no company supplying products that have universal sales acceptance has been willing to make contracts providing for mutual cancellation except under the most desirable circumstances. Such an arrangement practically binds the dealer to the supplying company to an extent which makes his profits a matter only determinable by it, since the margin of profit permitted could be reduced at will upon the penalty of eviction, where a lease arrangement exists. This feature of the agreement has unquestionably led to a great sacrifice of investment, and has deprived many dealers of any real independence. The Marketing Committee of the oil industry has recommended that action be taken along these lines in order that dealers may be free to choose their supplier and in order that free and open competition in the retail market for gasoline may be aided. I concur in this recommendation.*

I do not rule upon the contention that the institution of the exclusive system of contracts was a concerted move by the major supplying companies to stifle independent competition. *I believe that the Federal Trade Commission should promptly investigate this phase of the situation in order that remedial action may be taken if found justified.*

This decision is not to be construed as authorizing the writing of any new exclusive contracts for the sale of petroleum products at retail outlets. The validity of any such contracts is in considerable doubt. Article V, Rule 19, as interpreted, shall remain in full force and effect, subject to the terms and effect of this decision.

*It is, therefore, ordered,* pursuant to the authority of the Act of June 16, 1933, known as the National Industrial Recovery Act (48 Stat. 195), to Executive Order 6260-A, authorized by Section 2 (b) of said Act, to Article V, Rule 19, and to Article 1, Section 2 of the Code of Fair Competition for the Petroleum Industry, approved by the President August 19, 1933, in conformance with the provisions of Section 2 (a) of the said act, that:

1. Any provisions in lease and agency, lease and license or other form of exclusive dealing arrangements *requiring the exclusive sale at a retail outlet of any petroleum product other than gasoline or motor fuel are unfair competitive practices and in violation of this Code*, and no refiner, distributor, wholesaler, jobber or retailer shall attempt to enforce any provisions in existing contracts requiring such exclusive sale or otherwise attempt to exclude such products;
2. Any provisions in any exclusive dealing arrangements whereby the operator of a retail outlet or outlets receives any price advantage in return for the exclusion of the products of competitors from such outlet or outlets, *are unfair competitive practices and in violation of this Code. Provided that*, pending decision by the Federal Trade Commission, this shall not apply to rent paid to operators of retail facilities leased by such operators to the supplying refiner, distributor, jobber, wholesaler or retailer or to price advantages allowed to bona fide agents;
3. Any operator of a retail outlet for petroleum products under a lease and agency, lease and license or other form of exclusive dealing arrangement may cancel the same upon giving thirty days notice in such form as may be required by law. Any failure on the part of a refiner, distributor, jobber, wholesaler or retailer to accept such notice as an effective termination of the entire arrangement *shall be an unfair competitive practice and in violation of this Code*;
4. Article V, Rule 19 shall remain in full force and effect, subject to the terms and effect of this decision;
5. This decision shall not be construed to affect exclusive dealing arrangements of the character described in Article V, Rule 20, *Provided that* Rule 20 shall be construed to apply only to cases where the supplier owns the facility in fee."

It will be noted that the Administrator rendered decision prohibiting practices (Pages 20, 21, 22, 23) of—requiring the exclusive sale at a retail outlet of any petroleum products other than gasoline or motor fuel, price advantages, contract cancellations, and that Article V, Rule 19, shall remain in full force and effect.

LETTER FROM THE FEDERAL TRADE COMMISSION CONCERNING THE QUESTIONS SUBMITTED TO THE COMMISSION ON MARCH 4, 1935 WITH REFERENCE TO LEASE AND AGENCY, LEASE AND LICENSE, AND OTHER FORMS OF EXCLUSIVE DEALING ARRANGEMENTS

(Exhibit G)

Under date of March 4, 1935, the Administrator for the Petroleum Industry the Hon. Harold L. Ickes, directed a letter to the Hon. Ewin L. Davis, Chairman of the Federal Trade Commission, requesting advice concerning any findings made or action taken on the subjects listed in the letter.

Under date of April 9, 1935, Hon. Ewin L. Davis, Chairman of the Federal Trade Commission, Washington, D. C., directed a letter to Hon. Harold L. Ickes, Administrator of the Petroleum Industry in re: exclusive dealing contracts in the distribution of motor fuel.

(Page 3—Paragraph 5)

"The question of legality turns, we believe, upon whether these contracts for lease and for agency actually create the legal relationships of principal and agency and of lessor and lessee. If they are drawn in the form of agency and lease instruments as a subterfuge without bona fide intention to lease the premises or to assume the status of principal and agent *the exclusive dealing feature, we have reason to believe, would render this method unlawful.*"

(Page 4—Paragraph 1)

"This does not mean that the Commission is oblivious of the fact that the lease and agency contracts *tend directly to concentrate trade in the hands of such company* as thus becomes the principal and the sole supplier of formerly independent retailers; and that these contracts tend to eliminate small distributors and to prevent new distributors from breaking



into the field where contracts of this kind are numerous. *We think that it tends towards each of these things.*

(Page 5—Top)

\* \* \* *"To have used coercive or oppressive means to secure leasehold and exclusive agency or license arrangements for retail outlets, quite different aspects, under the anti-trust laws, may then be presented."*

(Page 5—Paragraph 5)

\* \* \* *"The Commission has reason to believe that this method of distribution is in contravention of the Federal Trade Commission and the Clayton Acts, provided that the effect is to substantially lessen or seriously menace the competition of independent distributors."*

(Page 5—Paragraph 6)

*"The Commission believes that before it can give an opinion upon whether the lease and license method has the effects necessary to constitute it violative of the Federal Trade Commission act or Clayton act, a further investigation which can now be restricted to that method in its effect upon gasoline and motor fuels, should be made. While it is deemed necessary to inquire whether the effects of such methods may be to substantially lessen competition or tend toward monopoly, the answer should not be deemed to turn solely upon such question of act. The size of the corporations using the method and the general monopolistic intent are also important questions to consider."*

(Page 6—Paragraph 4)

*"What has been said above about the lease and agency and lease and license methods of marketing is expressly confined in their status under the anti-trust laws. The Administrator operates under a statute which specifically and in contrast with anti-trust laws negatives a design 'to eliminate or oppress small enterprises' or to 'discriminate against them' and which confers broad discretionary authority. He is not constrained by the above considerations of law and has already, in the order of March 4, banned the methods in question as to the marketing of petroleum products other than gasoline and motor fuels. We assume that his fourth question relates to the use of these methods as employed in the distribution of gasoline and motor fuel only."*

(Page 7—Paragraph 1)

*"The Commission concurs with the Administrator as to the importance of a further investigation in order to ascertain the effect of these practices of the independent oil companies' trade in the latter products."*

(Page 7—Paragraph 2)

*"The Commission will undertake such investigation as the Administrator may request and will present such facts and conclusions of law as, resulting from such investigation, it may have reason to believe to be justified. The Commission must add that in view of its limited funds, the cost of any investigation so conducted at the Administrator's request will necessarily be subject to reimbursement to the Commission's funds."*

It will be noted that the Chairman expressed opinion that contract tends to concentrate trade in the hands of the company—(Page 4—Paragraph 1) action in contravention to existing law—(Page 5—Paragraph 5)—and declines to rule due to provisions of National Industrial Recovery Act.—(Page 6—Paragraph 4).

It will be noted that the letter from Hon. Ewin L. Davis, Chairman of the Federal Trade Commission, is dated April 9, 1935.

## XII. Invalidation of the N. R. A. Code in May, 1935

In May, 1935, the National Industrial Recovery Act was declared unconstitutional and all industry code organizations were gradually disbanded.

*XIII. Filing of brief by the Attorneys for Group of Oil Refining Companies with the Chairman of the Sub-committee of the Committee on Interstate and Foreign Commerce*

(Exhibit H)

December, 1934, a group of Independent Oil Producers and Refiners submitted a brief to the Sub-committee of the Committee on Interstate and Foreign Commerce, describing an unfair method of competition in connection with marketing of gasoline, motor oil, and greases, giving a quite complete resume of the efforts that had been made to obtain a decision and/or rule that would compel the Major Oil Companies to desist from using the "lease and agency" and "lease and license" type of contract.

(Exhibit J)

The brief contains a copy of a letter from Charles Fahy, Chairman of the Petroleum Administrative Board, to the Planning and Coordination Committee, Washington, D. C.

(Paragraph 1) of the letter states:

"The Board has, at the request of the Administrator, considered over a long period of time the advisability of recommending to the Administrator that a decision be made regarding lease and agency, lease and license, and other types of exclusive dealing arrangements."

(Paragraph 2)

"This decision has been frequently postponed due to formal or informal requests made by either your Committee or the Marketing Sub-Committee. It is our present understanding that the representatives of the industry field cannot agree upon any mutually satisfactory action that might be taken."

(Paragraph 3)

"We are, therefore, recommending to the Administrator, certain definite actions to take in covering any or all exclusive dealing arrangements. Our recommendations involve the following features:

(2) Exclusive dealing arrangements would be permitted for gasoline only. No company would be allowed to tie up a service station so as to exclude lubricating oils, greases and other petroleum products. Any threats of termination of the gasoline agreement if lubricating oils of other suppliers were handled would be made an unfair means of competition."

(Exhibit K)

Attached to the brief is a report of discussions of a group of attorneys representing oil companies on the subject of marketing of petroleum products.

Letter from C. F. Fox, Regional Sales Manager of the Sun Oil Company, to R. D. Leonard, Chairman, Penna.—Del. State Sub-Committee, describing the modus operandi of obtaining a "lease and agency" agreement.

REPORT ON MARKETING FACILITIES TO CHAIRMAN WILLIAM P. COLE, JR., CHAIRMAN OF THE SUB-COMMITTEE OF THE COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE, HOUSE RESOLUTION 441, MARCH, 1935

(Exhibit M)

The report has been summarized by the Petroleum Administrative Board, Pages 1 to 13, inclusive, presenting an analysis of the tables appearing in the report. Table 7 is of particular value in that it reports on the number of service stations and distribution outlets—motor fuel sales (quantity)—and book value of company owned stations and non-company owned stations supplied on 100 per cent basis. The figures contained in these tables indicate the rapid growth and expansion of the Major Oil Company's policy of acquiring 100 per cent control of the service stations throughout the United States; 100 per cent control of the service stations which through the provisions of the "lease and agency" or "lease and license" type of contract are excluded as outlets for the distribution of all products other than the products of the Major Oil Company controlling the station.

	Non-Company owned but sup- plied on 100% basis	Company owned		
		Closed Down	Operated by Others	Company Owned and Op- erated by Com- pany
1930.....	139,604	365	6,616	17,408
1931.....	159,957	982	8,245	21,577
1932.....	175,556	438	8,110	23,310
1933.....	181,377	561	8,008	25,429
1934.....	183,039	810	9,743	25,066
July 1, 1934.....	184,338	881	10,574	24,470

CONFIDENTIAL BULLETIN #30 TO ALL CONTRIBUTING COMPANIES FROM F. E. PACKARD  
CHAIRMAN OF THE AMERICAN PETROLEUM INDUSTRIES\* COMMITTEE, CENTRAL  
DIVISION

(Exhibit N)

This bulletin is significant for it indicates the reaction of the individual enterprising business man to conditions that he had been forced into by larger and more powerful organizations

(Paragraph 2)

"While the passage of this bill is regrettable, the attitude of the people toward large oil distributors is more alarming. *For the first time in opposing legislation of this kind we lost the support of a considerable body of oil jobbers.* They joined with the retailers and wholesalers associations to put the measure through without exempting filling stations. A very considerable group of jobbers, including the President and some of the Directors of the Iowa Association, were on the ground fighting against the amendment excluding service stations from the provisions of the measure."

(Paragraph 5)

"This sentiment is not alone discernible in Iowa, but it is becoming general throughout the Central Division. *The small jobber is determinedly and aggressively after the big operators and will join with any group which advocates any sort of legislation which will hamper the activities of their large competitors,* such as investigations of price structures, state control of marketing, state control of the industry, one price laws, chain store laws, and last but not least, legislation directly prohibiting the operation of multiple service stations."

FINAL REPORT OF THE MARKETING DIVISION OF THE PETROLEUM ADMINISTRATIVE BOARD,  
JUNE, 1936

(Exhibit P)

(Page 102—Group VIII—Rule 19)

Reports the various actions entered upon in response to the question as to whether the "lease and agency" and "lease and license" contracts constitutes an unfair trade practice, since as pointed out on Page 110—Paragraph 2—

(Page 110—Paragraph 2)

\* \* \* "From the date of the decision to the time that the code was suspended, no accord was reached as between divergent views within the industry, and although the Planning and Coordination Committee had submitted its recommendation of May 25, as above set forth, *this recommendation was never acted upon by the Administrator.*"

The Bureau of Census report for its figures for 1933, shows a total of 256,858 stations and garages; 1935—263,811. The companies reporting to the Subcommittee of the Committee for Interstate and Foreign Commerce, reported as of July 1, 1934, a total of 219,382 service stations. The figures indicate the extent to which the Major Oil Company through the use of 100 per cent Exclusive Dealing Arrangements type of contract have obtained a monopolistic control of the retail outlet for distribution of petroleum products.

TABLE 1.—Totals all territories combined number of distributors—Report of outlets taken over by majors during year indicated

	Number of Distributors reporting	Year Control was gained not given	Number of outlets Majors gained Control of during—					Total Outlets
			1935	1936	1937	1938	1939 <sup>1</sup>	
Connecticut.....	2	7			16	21	3	47
Maine.....	2	6		3	8	17		34
Massachusetts.....	5	51	3	5	8	33	22	122
New Hampshire.....	1				4	2	2	8
New Jersey.....	3	106	21	4	53	54	13	251
New York.....	20	53	4	31	86	101	27	302
Pennsylvania.....	13	110	3	18	38	70	21	260
Illinois.....	3	7				6	1	14
Indiana.....	1	1				5	3	9
Michigan.....	6	45	3	6	8	6	3	71
Ohio.....	7	19		6	11	28	5	72
Wisconsin.....	1				6	1		7
Minnesota.....	1		6	2		8	2	18
Florida.....	4	31	4	8	28	20	7	98
Georgia.....	2	37	4	2	5	6	1	55
North Carolina.....	1		1		2	1	1	5
South Carolina.....	1	21						21
Virginia.....	3	5			13	5		23
Alabama.....	1						2	2
Kentucky.....	1	7						7
Louisiana.....	1			3	9	7	1	20
Texas.....	1	1				3	2	6
Montana.....	1					1		1
Utah.....	1	8		9	8	2		27
California.....	2	23		1	5		3	32
	84	538	49	98	311	397	119	1,512

<sup>1</sup> First Quarter 1939.

TABLE 2.—Totals all territories combined, gallons purchased by dealers from distributors, and year of control gained by majors

Control Gained	Gallons Purchased 1936	Gallons Purchased 1937	Gallons Purchased 1938	Gallons Purchased 1939 <sup>1</sup>
No Data.....	101,164	102,440	65,797	8,587
1935.....	39,864	3,749	2,523	348
1936.....	94,613	2,364	1,703	202
1937.....	118,542	54,390	19,268	2,570
1938.....	114,586	127,867	68,816	5,451
1939.....	26,780	37,473	43,776	3,534
	495,549	328,283	201,883	20,692

<sup>1</sup> First Quarter 1939.

TABLE 3

	No. of Distributors who Reported	No. of Dealers that Majors gained Control of and whom Distributors were supplying Prior to Control	Gallons Purchased by Dealers from Distributors during Years Indicated Before Major Company Control of Outlets			Year Control was gained by Major Oil Company	Gallons Purchased by Dealers from Distributors during Years Indicated After Major Company Control of Outlets			
			1936	1937	1938		1936	1937	1938	1939 1st Quar.
			<i>Gallons motor oil</i>	<i>Gallons motor oil</i>	<i>Gallons motor oil</i>		<i>Gallons motor oil</i>	<i>Gallons motor oil</i>	<i>Gallons motor oil</i>	<i>Gallons motor oil</i>
Connecticut.....	2	16	5,043			1937				
	2	21	6,001	9,521		1938		2,189	884	126
	2	3		110	179	1939			5,290	300
Maine.....	2	3				1936	350			
	2	8	3,003			1937		916	142	
	2	17	4,936	5,074		1938			2,406	123
Massachusetts.....	5	3				1935	475	35	60	60
	5	5				1936	823		33	39
	5	8	1,820			1937		1,263	5,488	12
	5	33	4,879	9,465		1938			8,442	214
	5	22	254	4,345	7,826	1939				400
New Jersey.....	3	21				1935	2,329	2,963	1,890	
	3	4				1936	145	268	225	
	3	53	7,188			1937		4,577	1,988	60
	3	54	4,902	6,083		1938			3,602	223
	3	13	2,604	3,262	2,895	1939				170
New York.....	20	4				1935	197	143	156	12
	20	31				1936	79,057	938	1,101	51
	20	86	51,407			1937		23,434	7,256	277
	20	101	39,511	37,946		1938			18,759	1,145
	20	27	14,444	15,464	15,616	1939				623
Pennsylvania.....	13	3				1935	35,489	18	18	18
	13	18				1936	3,395	453	229	61
	13	38	11,281			1937		6,521	1,776	332
	13	70	17,876	16,026		1938			7,496	570
	13	21	3,409	5,181	4,865	1939				325
Illinois.....	2	6	1,927	2,505		1938			2,778	254
	2	1	385	487	346	1939				18
Indiana.....	1	5	412	560		1938			396	54
	1	3	249	340	577	1939				46
Michigan.....	6	6				1936	2,900			
	6	8	6,220			1937		2,305	60	
	6	6	3,709	4,416		1938			2,510	
	6	3	960	812	1,220	1939				230
Ohio.....	7	6				1936	868			
	7	14	4,418			1937		2,699	288	299
	7	28	20,236	23,598		1938			9,216	946
	7	5		300	850	1939				
Wisconsin.....	1	6	1,491			1937		315		
	1	1	640	590		1938			154	
Florida.....	4	4				1935	474	530	339	186
	4	8				1936	825	105	115	51
	4	28	9,660			1937		4,385	3,324	753
	4	20	3,965	6,101		1938			4,831	969
	4	7	156	734	2,496	1939				232
Georgia.....	2	4				1935				30
	2	2				1936	60			
	2	5	513			1937		145		
	2	6	389	871		1938			264	38
	2	1	12	135	80	1939				18
North Carolina.....	1	1				1935	900	60	60	42
	1	2	2,696			1937		1,136	978	163
	1	1	1,025	340		1938			385	102
	1	1	2,574	3,614	4,300	1939				1,000
Virginia.....	3	13	5,150			1937		2,300	650	200
	3	5	1,450	1,450		1938			620	125
Louisiana.....	1	3				1936	1,500	500		
	1	9	3,448			1937		1,905	1,334	348
	1	7	1,635	1,748		1938			1,108	310
	1	1				1939			544	80
Texas.....	1	3	105	1,100		1938				78
	1	2	1,560	1,699	1,368	1939				225
Montana.....	1	1	435	378		1938				
Utah.....	1	9				1936	4,190	100		
	1	8	2,628			1937		72		
	1	2	553	95		1938			15	
California.....	2	1				1936	500			
	2	5	2,576			1937		228		
	2					1938				
	2	3	173	990	1,128	1939				217

TABLE 4.—Gallons motor oil purchased by dealers from distributors—By year of control gained by major oil company

	No. of Distributors	No. of Dealers	Gallons of Motor Oil Purchased 1936	Gallons of Motor Oil Purchased 1937	Gallons of Motor Oil Purchased 1938	Gallons of Motor Oil Purchased 1939 <sup>1</sup>
Control Gained, 1935.....	5 3 20 13 4 2 1	3 21 4 3 4 4 1	475 2,329 197 35,489 474 900	35 2,963 143 18 530 60	60 1,890 156 18 339 60	60 ----- 12 18 186 30 42
Total.....	48	40	39,864	3,749	2,523	348
Control Gained, 1936.....	2 5 3 20 13 6 7 4 2 1 1 2	3 5 4 31 18 6 6 8 2 3 9 1	350 823 145 79,057 3,395 2,900 863 825 60 1,500 4,190 500	00 00 268 938 453 00 0 105 00 500 100 00	00 33 225 1,101 229 00 0 115 00 00 00 00	00 39 00 51 81 00 0 51 00 00 00 00
Total.....	66	96	94,613	2,364	1,703	202
Control Gained, 1937.....	2 2 5 3 20 13 6 7 1 4 2 1 3 1 1 2	16 8 8 53 86 38 8 14 6 28 6 2 13 9 8 5	5,043 3,003 1,820 7,188 51,407 11,281 6,220 4,418 1,491 9,660 513 2,696 5,150 3,448 2,628 2,576	2,189 916 1,263 4,577 23,434 6,521 2,305 2,699 315 4,385 145 1,136 2,300 1,905 72 228	884 142 588 1,988 7,256 1,776 60 288 00 3,324 00 978 650 1,334 00 00	126 00 12 60 277 332 00 299 00 753 00 163 200 348 00 00
Total.....	73	307	118,542	54,390	19,268	2,570
Control Gained, 1938.....	2 2 5 3 20 13 3 1 6 7 1 4 2 1 1 3 1 1 1	21 17 33 54 101 70 6 5 6 28 1 20 6 1 5 7 1 1 1	6,001 4,936 4,879 4,902 39,511 17,876 1,927 412 3,709 20,236 640 3,965 389 1,025 1,450 1,635 105 435 553	9,521 5,074 9,465 6,083 37,946 16,026 2,505 560 4,416 23,598 590 6,101 871 340 1,450 1,748 1,100 378 95	5,290 2,406 8,442 3,602 18,769 7,496 2,778 396 2,510 9,216 154 4,831 264 385 620 1,108 544 00 15	300 123 214 223 1,145 570 254 84 00 946 00 969 38 102 125 310 78 00 00
Total.....	77	387	114,586	127,867	68,816	5,451
Control Gained, 1939.....	2 5 3 20 13 3 1 00 7 4 2 1 1 1 2 2	3 22 13 27 21 1 3 3 5 7 1 1 1 2 3	00 254 2,604 14,444 3,400 385 249 960 00 156 12 2,574 00 1,560 173	110 4,345 3,262 15,464 5,181 487 340 812 300 734 135 3,614 00 1,699 990	179 7,826 2,895 15,646 4,865 346 577 1,220 850 2,496 80 4,300 00 1,368 1,128	00 400 170 623 325 18 46 230 00 232 18 1,000 30 225 217
Total.....	65	113	26,780	37,473	43,776	3,534

<sup>1</sup> First Quarter 1939.

TABLE 5.—Gallons motor oil purchased by dealers from distributors during years indicated. Year control gained by margin not given

	No. of Distributors who Reported	No. of Dealers that Majors gained Control of and whom Distributors were supplying Prior to Control	Gallons Motor Oil 1936	Gallons Motor Oil 1937	Gallons Motor Oil 1938	Gallons Motor Oil 1939 <sup>1</sup>
Connecticut.....	2	7	00	117	138	24
Maine.....	2	6	755	718	308	40
Massachusetts.....	5	51	19,212	17,436	8,989	1,806
New Hampshire.....	1	8	00	765	2,193	299
New Jersey.....	3	106	9,334	12,106	3,732	00
New York.....	20	53	9,948	10,474	9,356	1,399
Pennsylvania.....	13	110	46,681	41,974	25,834	2,557
Illinois.....	3	7	450	1,850	2,000	50
Indiana.....	1	1	238	246	146	66
Michigan.....	6	48	810	590	295	130
Ohio.....	7	19	2,000	1,500	1,000	00
Minnesota.....	1	18	00	5,010	5,800	00
Florida.....	4	31	3,353	2,702	2,069	1,525
Georgia.....	2	37	3,592	2,663	1,461	299
Virginia.....	3	23	250	250	220	60
Alabama.....	0	2	00	00	00	00
Kentucky.....	0	7	00	00	00	00
South Carolina.....	0	21	00	00	00	00
Texas.....	1	1	106	120	96	00
Utah.....	1	8	515	410	60	30
California.....	2	23	3,720	3,509	2,100	302
Total.....	77	587	101,164	102,440	65,797	8,587
Total of table 4 by year of control:						
Control Gained, 1935.....			39,864	3,749	2,523	348
Control Gained, 1936.....			94,613	2,364	1,703	202
Control Gained, 1937.....			118,542	54,390	19,268	2,570
Control Gained, 1938.....			114,586	127,867	68,816	5,451
Control Gained, 1939.....			26,780	37,473	43,776	3,534
Total.....			394,385	225,843	136,086	12,105
Grand Total.....			495,549	328,283	201,883	20,692

<sup>1</sup> First Quarter 1939.

TABLE 6.—How was control of outlet obtained? Type of control gained by major companies—All territories combined

Major companies	All other types of exclusive dealing arrangements	Outlet purchased by major oil company and operated as a wholly owned station	Control obtained by lease to the major oil company and then released to owner	All types of 100% exclusive dealing arrangements	Don't know type of control but outlet is 100% controlled by major	Not stated question-naire did not report on question of control
Atlantic Refining Company.....	.....	5	40	23	3	5
Sinclair Oil Company.....	3	5	29	7	4	3
Standard Oil Co., New York.....	.....	13	65	34	28	26
Standard Oil Co., New Jersey.....	3	1	46	11	17	15
Standard Oil Co., Ohio.....	.....	.....	4	1	2	.....
Standard Oil Co., Indiana.....	.....	.....	2	.....	.....	.....
Texas Company.....	2	7	63	19	13	13
Shell Corporation.....	1	12	46	15	20	18
Richfield Oil Corporation.....	.....	.....	11	5	1	2
Citiles Service.....	1	1	11	2	1	3
Tidewater Oil Company.....	2	1	28	18	19	25
Pure Oil Company.....	.....	3	27	3	3	2
Gulf Refining Company.....	2	11	59	45	25	15
Sun Oil Company.....	4	3	70	29	9	8
Dutch-Shell Company.....	.....	.....	.....	.....	.....	.....
Phillips Petroleum Company.....	.....	.....	4	1	.....	.....
Union Oil Company.....	.....	.....	.....	2	.....	.....
Barnsdall Corporation.....	.....	.....	.....	.....	.....	.....
Continental Oil Company.....	.....	.....	5	.....	.....	1
Humble Oil & Refining Company.....	.....	.....	1	.....	.....	.....
Magnolia Petroleum Company.....	.....	.....	2	.....	.....	.....
Transcontinental Oil Company.....	.....	.....	.....	.....	.....	.....
Standard Oil Co., California.....	.....	.....	.....	.....	.....	.....
Consolidated Oil Corporation.....	.....	.....	.....	.....	.....	.....
Standard Oil Co., Louisiana.....	.....	.....	.....	.....	.....	.....
Signal Oil Company.....	.....	.....	.....	.....	.....	.....
Skelly Oil Company.....	.....	12	.....	.....	.....	.....
All Others.....	3	12	52	22	3	20
Standard.....	4	18	87	33	32	30
oco-American.....	.....	1	33	6	3	4
Total.....	25	97	696	280	186	{ 228 1, 512



TABLE 7.—*Dealer's reason for signing up—all territories combined*

Major companies	Group I type, price concession		Group II type, money spent to obtain agreement				Won't build competitive station	Granting of additional parking lot facilities	All other types of reasons	Don't know the details of the agreement	Number of outlets majors gained control of in territory of 85 distributors 1935-39 <sup>1</sup>
	Additional margin on gasoline	Additional margin on other lines	Free equipment	Free paint job	Free building construction	Free paving					
Atlantic Refining Company	42	8	42	26	14	13	2	1		1	76
Standard Oil Co. of New York	12	9	12	8	8	1	3		2	3	51
Standard Oil Co. of New Jersey	41	14	77	67	20	16	2		3	7	166
Standard Oil Co. of Ohio	29	2	25	28	6	7	5		4	1	93
Standard Oil Co. of Indiana	3	1	5					1			7
Texas Company	1	1	2	2	1	1		1			2
Shell Corporation	41	9	41	31	13	17	6		3	2	117
Richfield Oil Corporation	34	5	26	39	10	7	5		9	3	112
Cities Service	11	5	8	10	4	4		1			19
Tidewater Oil Company	5	1	4	6	1				1		19
Pure Oil Company	31	10	34	27	12	14	5	3			93
Gulf Refining Company	3	2	17	11	8	5					38
Sun Oil Company	43	11	65	60	18	17	1	3	9	1	157
Dartmouth Shell Company	45	5	48	34	7	10	4	1	1	4	123
Phillips Petroleum Company	1	1	1	1	1						5
Union Oil Company	1			2				1			2
Barnsdall Corporation											
Continental Oil Company	3		4	3				1			6
Humble Oil & Refining Company	1			1							1
Magnolia Petroleum Company											2
Transcontinental Oil Company											
Standard Oil Co. of California											
Consolidated Oil Corporation											
Standard Oil Co. of Louisiana											
Signal Oil Company											
Skelly Oil Company											
All others	34	10	34	29	8	5	2		11	1	112
Standard	47	25	59	53	24	18	6	2	4	6	204
American	11	4	14	13	5	4	1		1	1	47
	7	2	5	5	1						59
Total	446	125	528	463	154	141	41	14	50	30	1,512
											1,992

<sup>1</sup> First quarter 1939.

TABLE 8.—*Concessions—all territories combined*

Major companies	Credit extension	Advertising allowance	Special discount	Bonus plan	Cash payment	All others	Don't know	Number of outlets
	Credit was extended exceeding that granted as an independent dealer	Dealer granted allowances for money spent for local advertising	Dealer granted a discount on supplies	Dealer given extra payments for pushing sale of major company's products	Dealer receives cash payments from major oil company	Concessions are granted as to type of all other concessions	Concessions are granted but type of concessions not known	Majors gained control of territory of 85 distributors 1935-38 <sup>1</sup>
Atlantic Refining Company.....	13	2	12	4	2	3	7	76
Standard Oil Company.....	4	2	9	6	2	—	5	51
Standard Oil Co. of New York.....	26	2	15	19	3	3	7	166
Standard Oil Co. of New Jersey.....	10	—	7	9	—	1	8	93
Standard Oil Co. of Ohio.....	1	—	—	—	—	—	—	7
Standard Oil Co. of Indiana.....	—	—	1	—	—	—	—	2
Texas Company.....	21	3	13	17	4	1	1	117
Shell Corporation.....	15	6	12	2	2	—	3	112
Richfield Oil Corporation.....	3	—	3	2	—	—	—	19
Cities Service.....	5	2	1	—	—	—	—	19
Tidewater Oil Company.....	12	2	14	8	6	—	1	93
Pure Oil Company.....	6	—	3	10	—	—	3	38
Gulf Refining Company.....	21	3	20	17	10	1	1	157
Sun Oil Company.....	14	—	—	9	—	4	5	123
Dutch Shell Company.....	13	—	—	—	—	—	6	—
Phillips Petroleum Company.....	—	—	—	—	—	—	—	5
Union Oil Company.....	—	—	—	—	—	—	—	2
Barnsdall Corporation.....	—	—	—	—	—	—	—	—
Continental Oil Company.....	4	—	—	—	—	—	—	6
Humble Oil & Refining Company.....	—	—	—	—	—	—	—	1
Magnolia Petroleum Company.....	1	—	—	—	—	—	—	2
Transcontinental Oil Company.....	—	—	—	—	—	—	—	—
Standard Oil Co. of California.....	—	—	—	—	—	—	—	—
Consolidated Oil Corporation.....	—	—	—	—	—	—	—	—
Standard Oil Co. of Louisiana.....	—	—	—	—	—	—	—	—
Signal Oil Company.....	—	—	—	—	—	—	—	—
Stellery Oil Company.....	—	—	—	—	—	—	—	—
All others.....	7	3	11	6	3	—	—	1
Standard.....	31	6	25	32	2	6	9	112
American.....	7	2	6	—	1	—	1	204
—	1	—	5	2	—	—	—	47
Total.....	201	32	171	147	37	21	58	59
								1,612
								667

First quarter 1939.

TABLE 9.—How control is enforced—all territories combined

Major companies	Character of contract	Threats to cancel	Threats of cancel courtesy card withdrawal which cancels dealers right to grant credit to consumers	All other	Don't know	Number of outlets
	Contract specifies certain conditions now compliance of which provides threat of cancellation	Extra margin allowed dealer on major oil company supplies		Threats that are not generally identified	Threats have been employed but type not disclosed by dealer	Majors gained control of in territory of 85 distributors 1935-39 <sup>1</sup>
Atlantic Refining Company.....	37	20	24	1	-----	76
Sinclair Oil Company.....	13	4	2	-----	-----	51
Standard Oil Co. of New York.....	76	16	18	1	2	166
Standard Oil Co. of New Jersey.....	18	9	52	4	1	93
Standard Oil Co. of Ohio.....	4	-----	-----	-----	-----	7
Standard Oil Co. of Indiana.....	2	-----	-----	-----	-----	2
Texas Company.....	40	15	16	1	-----	117
Shell Corporation.....	29	15	14	-----	1	112
Richfield Oil Corporation.....	1	7	4	-----	-----	19
Cities Service.....	9	1	2	-----	-----	19
Tidewater Oil Company.....	14	12	9	-----	-----	93
Pure Oil Company.....	15	10	5	-----	3	38
Gulf Refining Company.....	66	18	22	1	-----	157
Sun Oil Company.....	41	17	43	5	-----	123
Dutch Shell Corporation.....	-----	-----	-----	-----	-----	5
Phillips Petroleum Company.....	1	2	-----	-----	-----	2
Union Oil Company.....	-----	-----	1	-----	-----	-----
Barnsdall Corporation.....	-----	-----	-----	-----	-----	6
Continental Oil Company.....	2	1	-----	-----	-----	1
Humble Oil & Refining Company.....	-----	-----	-----	-----	-----	2
Magnolia Petroleum Company.....	-----	-----	-----	-----	-----	-----
Transcontinental Oil Company.....	-----	-----	-----	-----	-----	-----
Standard Oil Co. of California.....	-----	-----	-----	-----	-----	-----
Consolidated Oil Corporation.....	-----	-----	-----	-----	-----	-----
Standard Oil Co. of Louisiana.....	-----	-----	-----	-----	-----	-----
Signal Oil Company.....	-----	-----	-----	-----	-----	1
Skelly Oil Company.....	-----	1	-----	-----	-----	-----
All Others.....	36	8	5	4	1	112
Standard.....	66	35	33	1	1	204
American.....	19	9	10	1	-----	47
	11	5	2	-----	-----	59
Total.....	498	205	262	19	9	{ 1,512 993

<sup>1</sup> First quarter 1939.

TABLE 10.—*Conditions before monopoly practices—By territory*

Territory	Was your merchandise on display?		Did the dealer display your curb and other point of sale signs and advertising material?		Was there a free and open market for your motor oil in the account?		Number of outlets majors gained control of in territory of 85 distributors 1935-39 <sup>1</sup>
	No	Yes	No	Yes	No	Yes	
Connecticut.....		46	2	44	1	40	47
Maine.....	1	27		28		29	34
Massachusetts.....	8	95	12	71	2	36	122
New Hampshire.....	2	2	4	2		6	8
New Jersey.....	31	200	36	195	19	154	251
New York.....	7	239	11	230	15	213	302
Pennsylvania.....	14	155	13	148	15	145	260
Illinois.....		12		8		7	14
Indiana.....		9		9			9
Michigan.....	23	40	25	45	43	7	71
Ohio.....	5	64	12	48	1	46	72
Wisconsin.....		7		7			7
Minnesota.....		18		2		18	18
Florida.....	21	73	26	68	19	69	98
Georgia.....		38	2	36		35	55
North Carolina.....		5		5		5	5
South Carolina.....	8	12	8	12	8	12	21
Virginia.....		21	1	21	17	3	23
Alabama.....		2				2	2
Kentucky.....		1		1			1
Louisiana.....		20		20		20	20
Texas.....		6	1	5		4	6
Montana.....		1		1		1	1
Utah.....	1	25		24		3	27
California.....	1	31	3	29	4	28	32
All Territories.....	122	1,149	156	1,058	144	883	1,512

<sup>1</sup> First Quarter 1939.TABLE 11.—*Conditions after monopoly practices—By major company*

Major Company	Is your merchandise now displayed by the outlet?		Is your curb and other point of sale signs displayed at the outlet?		Is there a free and open market for your motor oil in this account?		Number of outlets majors gained control of in territory of 85 distributors 1935-39 <sup>1</sup>
	No	Yes	No	Yes	No	Yes	
Atlantic Refining Company.....	60	7	67	2	68	4	76
Sinclair Oil Company.....	38	7	39	4	38	4	51
Standard Oil Co., New York.....	122	6	122	5	122	12	166
Standard Oil Co., New Jersey.....	80	3	79	2	66	12	93
Standard Oil Co., Ohio.....	3		3		7		7
Standard Oil Co., Indiana.....	2		2		2		2
Texas Company.....	84	11	85	9	91	9	117
Shell Corporation.....	88	5	84	5	93	9	112
Richfield Oil Corporation.....	16		15		15	1	19
Cities Service.....	17		16	1	16	2	19
Tidewater Oil Company.....	61	10	65	5	56	8	93
Pure Oil Company.....	34	2	34	2	26	4	38
Gulf Refining Company.....	129	8	135	3	126	14	157
Sun Oil Company.....	94	12	98	10	90	17	123
Phillips Petroleum Company.....	4		1	1	5		5
Union Oil Company.....	2		2		2		2
Continental Oil Company.....	5		4		5		6
Humble Oil & Refining Company.....	1		1		1		1
Magnolia Petroleum Company.....	2		2		2		2
Skelly Oil Company.....	1				1		1
All others.....	61	3	67		72	1	112
Standard.....	162	18	161	15	166	16	204
Amoco.....	39	1	41	2	42	2	47
	21	2	20	3	24	2	59
Total.....	1,126	95	1,143	69	1,136	117	1,512

<sup>1</sup> First quarter 1939.

TABLE 12.—*Field survey, April 28 to May 5, 1939*

Canvasser's Report of Interview of what he was told		Canvasser's Report on what he noted from checking Stations' practices					
	No. of retail out- lets	Sell only one company's gasoline		Display more than one company's mo- tor oil #6		Display more than one company's signs #7	
		Yes	No	Yes	No	Yes	No
<b>Washington, D. C.:</b>							
a. Company owned and operated.....	93	80	13	22	71	19	74
b. Company owned and leased.....	199	198	1	8	191	6	193
c. Leased by company and released.....	9	9			9		9
d. Leased and company operated.....							
e. Individually owned and operated.....	230	142	88	122	108	89	140
	531	429	102	152	379	114	416
<b>Columbus, Ohio:</b>							
a. Company owned and operated.....	73	73		19	54	10	63
b. Company owned and leased.....	222	220	1	15	206	4	217
c. Leased by company and released.....	56	56		10	46	6	50
d. Leased and company operated.....	1	1			1		1
e. Individually owned and operated.....	156	153	3	93	63	73	82
	508	503	4	137	370	83	413
<b>New Orleans, Louisiana:</b>							
a. Company owned and operated.....	47	46	1	12	35	10	37
b. Company owned and leased.....	78	77	1	4	74	3	75
c. Leased by company and released.....	213	209	3	22	190	19	193
d. Leased and company operated.....	4	4		1	3	1	3
e. Individually owned and operated.....	190	177	5	55	135	49	141
	532	513	10	94	437	82	349
<b>Portland, Oregon:</b>							
a. Company owned and operated.....	91	90	1	6	85	1	90
b. Company owned and leased.....	170	169	1	15	155	9	161
c. Leased by company and released.....	72	72		11	61	6	66
d. Leased and company operated.....	11	11		3	8	2	9
e. Individually owned and operated.....	519	509	9	8	344	154	364
	863	851	11	43	653	172	690

STATISTICAL TABLES  
*Comparison of establishments and retail sales—Bureau of Census, 1930–1933–1935*  
 TABLE 20

A. P. I.

State	Number of Establishments					Sales In Dollars (000) Omitted				Average business per station in dollars, 1935
	1929	1933	Percent increase or decrease	1935	Percent increase or decrease	1929	1933	Percent increase or decrease	1935	
United States.....	121,513	170,404	40.24	197,568	15.94	1,787,423	1,531,724	*14.31	1,967,714	9,960
Garages.....	66,793	86,454	29.44	66,243	*23.38					
Total.....	189,306	256,858	36.40	263,811	2.71					
NEW ENGLAND										
Connecticut.....	1,595	2,095	31.35	2,405	14.80	26,387	23,229	*11.97	28,603	11,893
Garages.....	865	929	7.40	838	*9.80					
Total.....	2,460	3,024	22.93	3,243	7.24					
Maine.....	671	1,069	63.79	1,539	40.04	6,988	9,403	34.56	15,022	9,761
Garages.....	638	878	37.62	830	*5.47					
Total.....	1,309	1,977	51.03	2,369	19.83					
Massachusetts.....	3,734	4,376	17.19	4,810	9.92	52,320	53,372	2.02	65,430	13,603
Garages.....	1,622	2,240	47.17	1,980	*13.84					
Total.....	5,256	6,616	25.88	6,740	1.87					
New Hampshire.....	633	668	5.53	973	45.66	5,318	5,439	2.28	8,563	8,801
Garages.....	376	463	23.14	428	*7.56					
Total.....	1,009	1,131	12.09	1,401	23.87					
Rhode Island.....	623	726	16.53	820	12.95	8,880	8,344	*6.04	9,961	12,148
Garages.....	387	353	*8.79	304	*13.88					
Total.....	1,010	1,079	6.83	1,124	4.17					
Vermont.....	502	479	*4.58	632	31.94	4,389	3,597	*18.05	4,925	7,793
Garages.....	358	442	23.46	332	*24.89					
Total.....	860	921	7.09	964	4.67					

\* In red on original.

TABLE 21

MID-ATLANTIC	New Jersey.....	Filling Sta. Garages.....	3,265 2,230	4,591 2,755	40.61 23.54	5,249 2,110	14.33 *23.41	54,550	48,340	*11.38	60,316	24.77	11,491
	Total.....		5,495	7,346	33.69	7,359	.176						
New York.....	Filling Sta. Garages.....		8,815	9,908	12.40	12,551	26.68	140,987	114,925	*18.47	157,211	36.79	12,526
			6,402	7,553	17.98	5,903	*21.85						
	Total.....		15,217	17,461	14.75	18,454	5.69						
Pennsylvania.....	Filling Sta. Garages.....		6,761	10,051	48.66	11,636	15.77	102,571	88,644	*15.53	110,920	28.02	9,532
			4,644	5,980	22.62	4,810	*18.98						
	Total.....		11,405	15,741	38.02	16,246	3.21						

TABLE 22

E. NORTH CENTRAL	Illinois.....	Filling Sta. Garage.....	6,008 3,468	8,635 5,118	43.73 47.57	9,385 3,505	8.69 *31.52	110,483	93,712	*15.18	105,463	12.64	11,237
	Total.....		9,476	13,753	45.14	12,890							
Indiana.....	Filling Sta. Garage.....		3,436	5,436	58.21	6,059	11.46	51,215	44,969	*12.20	55,979	24.48	9,239
			2,216	2,883	30.10	2,153	*25.32						
	Total.....		5,652	8,319	47.19	8,212	*1.29	109,069	75,363	*30.90	98,646	30.89	11,310
Michigan.....	Filling Sta. Garage.....		5,375	7,577	40.97	8,722	15.11						
			2,006	2,963	47.71	2,142	27.71						
	Total.....		7,381	10,540	42.80	10,864	3.07						
Ohio.....	Filling Sta. Garage.....		7,280	10,464	44.73	12,152	16.13	132,796	107,298	*19.20	134,491	25.34	11,067
			3,562	5,139	44.27	3,965	*22.84						
	Total.....		10,792	15,603	44.58	16,117	3.29						
Wisconsin.....	Filling Sta. Garage.....		2,775	4,256	53.37	4,643	9.09	48,962	42,026	*14.17	53,046	26.22	11,425
			1,429	2,318	62.21	1,766	*23.81						
	Total.....		4,204	6,574	56.37	6,409	*2.51						

## Comparison of establishments and retail sales—Bureau of Census, 1930–1933–1935—Continued

TABLE 23

State		Number of Establishments				Sales in Dollars (000) Omitted				Average business per station in dollars, 1935
		1929	1933	Percent increase or decrease	1935	Percent increase or decrease	1929	1933	Percent increase or decrease	
Iowa	W. NORTH CENTRAL									
	Filling Sta. Garages	2,956 1,783	5,142 2,580	73.95 44.70	6,057 2,211	17.79 *14.30	48,341	45,085	*6.74	56,806
	Total	4,739	7,722	62.95	8,268	7.07				9,379
Kansas	Filling Sta. Garages	2,904 1,560	4,189 2,123	44.25 36.09	4,960 1,680	18.41 *20.87	44,345	30,435	*31.25	40,526
	Total	4,464	6,312	41.40	6,640	5.20				8,171
Minnesota	Filling Sta. Garages	2,273 1,519	4,230 2,305	86.10 51.74	5,510 2,014	30.26 *12.62	46,721	44,024	*5.77	59,504
	Total	3,792	6,535	72.34	7,524	15.13				10,799
Missouri	Filling Sta. Garages	3,928 2,453	6,305 3,118	60.51 27.11	7,400 2,346	17.37 *24.76	53,420	47,841	*10.44	58,530
	Total	6,381	9,423	47.67	9,476	3.43				7,909
Nebraska	Filling Sta. Garages	1,430 955	2,639 1,491	84.55 56.13	3,099 1,109	17.43 *25.62	29,414	27,221	*7.46	34,548
	Total	2,385	4,130	73.17	4,208	1.89				11,148
North Dakota	Filling Sta. Garages	503 466	807 671	60.44 44.00	1,553 555	55.27 *17.29	10,767	7,775	*27.79	14,292
	Total	969	1,478	52.53	1,808	22.33				11,406
South Dakota	Filling Sta. Garages	686 515	1,194 721	74.05 40.00	1,572 604	31.66 *16.23	14,848	10,741	*27.66	15,603
	Total	1,201	1,915	59.45	2,176	13.63				9,926





## Comparison of establishments and retail sales—Bureau of Census, 1930–1933–1935—Continued

TABLE 25

State		Number of Establishments				Sales In Dollars (000) Omitted				Average business per station in dollars, 1935
		1929	1933	Percent increase or decrease	1935	Percent increase or decrease	1929	1933	Percent increase or decrease	
E. SOUTH CENTRAL	Filling Sta. Garages	1,618	2,358	45.74	3,052	29.43	18,424	17,515	*4.93	7,025
	Alabama	1,986	1,138	15.42	826	*27.42				
	Total	2,604	3,496	34.26	3,878	10.95				
Kentucky	Filling Sta. Garages	1,201	2,148	7.89	2,708	26.07	16,549	17,351	4.85	8,306
		1,190	1,402	17.82	1,147	*18.19				
	Total	2,391	3,550	48.47	3,855	8.59				
Mississippi	Filling Sta. Garages	1,612	1,743	8.13	1,965	12.74	17,116	11,572	*32.39	7,032
		692	590	*14.74	408	*30.85				
	Total	2,304	2,333	1.26	2,373	1.80				
Tennessee	Filling Sta. Garages	1,326	2,564	92.61	3,148	22.78	18,985	21,937	15.55	9,943
		1,016	1,181	16.24	975	*17.44				
	Total	2,342	3,745	59.91	4,123	10.09				

TABLE 26

W. SOUTH CENTRAL	Filling Sta. Garages.....	1,807 770	2,143 818	18.59 6.23	2,600 639	21.33 *21.88	17,993	13,850	1'23.03	18,170	31.19	6,989
Louisiana.....	Total.....	2,577	2,961	14.90	3,239	9.39						
	Filling Sta. Garages.....	1,856 729	2,095 879	12.88 20.53	2,379 574	13.56 *34.70	18,753	15,304	*18.39	20,190	31.93	8,467
	Total.....	2,885	2,974	15.05	2,953	*.706						
Oklahoma.....	Filling Sta. Garages.....	4,336 1,335	5,135 1,828	18.43 34.91	5,354 1,288	4.26 *29.54	49,752	30,718	*38.26	38,393	24.99	1,171
	Total.....	5,691	6,993	22.35	6,642	*4.61						
	Filling Sta. Garages.....	8,523 4,086	11,211 5,219	31.54 27.73	12,221 3,593	9.10 *31.16	94,418	71,739	*24.02	93,919	30.92	7,683
	Total.....	12,609	16,430	30.30	15,814	*3.75						
Texas.....	Filling Sta. Garages.....	12,609	16,430	30.30	15,814	*3.75						
	Total.....											
	Filling Sta. Garages.....											

1 Red.

Comparison of establishments and retail sales—Bureau of Census, 1930–1933–1935—Continued

TABLE 27

State	Number of Establishments				Sales In Dollars (000) Omitted				Average business per station in dollars, 1935
	1929	1933	Percent increase or decrease	1935	Percent increase or decrease	1929	1933	Percent increase or decrease	
MOUNTAIN									
	Filling Sta. Garages.....	625 302	809 376	29.44 24.50	827 275	2.22 *26.86	8,185	6,288	35.38
	Total.....	927	1,185	27.83	1,102	*7.01			10,294
Colorado	Filling Sta. Garages.....	1,349 854	1,833 1,030	36.25 20.61	2,266 769	23.29 *25.34	21,764	15,590	51.08
	Total.....	2,203	2,868	30.19	3,035	5.82			10,395
Idaho	Filling Sta. Garages.....	441 292	719 420	63.04 43.84	956 310	32.96 *26.19	6,268	5,629	78.69
	Total.....	773	1,139	47.35	1,266	11.15		10,058	10,521
Montana	Filling Sta. Garages.....	434 430	596 530	37.33 23.26	927 454	55.54 *14.34	10,213	6,599	91.15
	Total.....	864	1,126	30.33	1,321	22.65			13,607
Nevada	Filling Sta. Garages.....	116 80	153 118	31.90 47.50	211 94	37.91 *20.34	1,351	1,613	52.76
	Total.....	196	271	38.27	305	12.55		2,464	11,678
New Mexico	Filling Sta. Garages.....	450 250	728 297	61.78 18.80	827 202	13.60 *31.99	4,813	4,109	69.29
	Total.....	700	1,025	46.43	1,029	.39		*14.63	8,411
Utah	Filling Sta. Garages.....	554 385	767 362	38.45 27.02	887 274	15.65 *24.31	8,654	7,251	34.27
	Total.....	839	1,129	34.50	1,161	2.83		*16.21	10,976

TABLE 28

Wyoming	Filling Sta. Garages	278 146	364 219	52.94 50.	499 163	37.09 *25.57	4,243	3,764	*11.29	7,069	87.81	14,166
	Total	384	583	51.82	662	13.55						
PACIFIC												
California	Filling Sta. Garages	8,650 4,903	11,417 6,441	31.99 31.37	12,724 5,204	11.45 *19.21	137,474	126,714	*7.99	153,660	21.28	12,076
	Total	13,553	17,858	31.76	17,928	.39						
Oregon	Filling Sta. Garages	1,561 1,026	1,875 1,127	20.12 9.84	2,277 829	21.44 *26.44	16,957	15,844	*6.56	21,773	37.42	9,562
	Total	2,587	3,002	16.04	3,106	3.46						
Washington	Filling Sta. Garages	2,457 1,274	2,887 1,734	17.50 36.11	3,628 1,199	25.67 *30.85	28,415	24,877	*12.45	38,287	63.91	10,553
	Total	3,731	4,621	23.85	4,827	4.46						

TABLE 7.—Number of service stations and distribution outlets—motor fuel sales (quantity) and book value of company-owned stations; classification of service stations according to monthly sales, also percentage of stations in each classification

As of January 1	Service stations																		
	Company owned		Company owned and operated								Company owned and operated stations classified according to average monthly gallonage sales								
			Noncompany-owned but supplied on 100 percent basis <sup>1</sup>	Closed down	Operated by others	Operated by company	Net book value	Average value per station <sup>3</sup>	Average number of stations operated during year <sup>1</sup>	Average motor fuel sold during year <sup>1</sup> (1,000 gallons)	Average quantity sold per station during year <sup>1</sup> (gallons)	Average value of stations operated during year <sup>1</sup>	Average value per 1,000 gallons of sales during year <sup>1</sup>	Under 5,000	5,000 to 10,000	10,000 to 15,000	15,000 to 20,000	20,000 to 25,000	25,000 or over
Integrated companies																			
1930	5,188	138,242	364	6,509	16,976	\$275,753,147	\$16,244	18,878	1,874,466	99,294	\$16,661	\$168	5,337	6,635	3,008	1,116	396	434	
1931	5,133	158,471	982	8,125	20,780	354,864,405	17,077	21,641	2,043,527	94,428	17,216	183	7,305	8,412	3,197	1,039	421	386	
1932	5,075	173,388	435	7,930	22,501	390,514,952	17,355	23,584	2,007,466	85,192	16,846	198	8,368	9,182	3,141	1,059	376	375	
1933	5,784	177,929	555	7,770	24,627	402,368,337	16,336	24,438	2,080,409	85,130	15,951	187	11,070	9,322	2,671	913	352	299	
1934	5,932	179,624	803	9,480	24,248	377,432,277	15,566	24,005	946,191	39,416	15,553	198	10,702	9,520	2,561	855	331	279	
July 1, 1934		180,047	870	10,166	23,761	373,996,905	15,740						10,440	9,127	2,595	907	378	314	
Nonintegrated companies																			
1930	960	1,362	1	107	432	3,330,936	7,710	615	38,102	63,292	6,971	111	263	114	42	8	3	2	
1931	1,118	1,486		120	797	4,966,556	6,232	893	39,481	49,167	6,602	134	488	214	74	16	3	2	
1932	1,340	2,168	3	180	809	5,640,841	6,973	806	38,647	49,358	6,838	140	429	227	108	39	5	1	
1933	1,348	3,448	6	239	802	5,375,652	6,703	810	40,674	50,215	6,840	126	442	233	103	18	4	2	
1934	1,113	4,015	7	263	818	4,889,821	5,978	764	17,234	22,558	5,825	129	498	199	100	16	3	2	
July 1, 1934		4,291	11	408	709	4,021,218	5,672						419	178	91	15	5	1	

Integrated and nonintegrated companies—combined

	1930.....	1931.....	1932.....	1933.....	1934.....	July 1, 1934.....
As of January 1	139,604	159,957	175,556	181,377	183,039	184,338
	6,148	6,251	6,415	7,132	7,045	7,045
	365	6,616	17,408	279,084,083	16,032	19,493
	8,245	21,577	359,830,961	16,995	22,444	2,046,113
	438	8,110	23,310	396,155,793	16,995	22,444
	561	8,008	25,429	407,683,969	16,032	25,248
	810	9,743	25,066	382,322,098	15,253	24,768
	881	10,574	24,470	378,018,123	15,448	24,768
	1,124	3,050	6,749	5,650	167	16,355
	3,271	8,626	7,793	8,626	181	16,836
	3,249	9,409	8,797	9,409	197	16,513
	931	2,774	11,512	9,555	186	15,643
	871	2,661	11,200	9,719	197	15,351
	922	2,686	10,859	9,305	-----	-----
	399	3,050	6,749	5,650	167	16,355
	436	3,271	8,626	7,793	181	16,836
	388	3,249	9,409	8,797	197	16,513
	376	931	2,774	11,512	186	15,643
	301	871	2,661	11,200	197	15,351
	281	922	2,686	10,859	-----	-----
	315	399	3,050	6,749	167	16,355
	388	436	3,271	8,626	181	16,836
	376	388	3,249	9,409	197	16,513
	301	376	931	2,774	186	15,643
	281	301	871	2,661	197	15,351
	315	315	922	2,686	-----	-----

STATIONS CLASSIFIED ACCORDING TO MONTHLY SALES—PERCENT

As of January 1	Integrated companies					Nonintegrated companies					Combined				
	Under 5,000					Under 5,000					Under 5,000				
	5,000 to 10,000	10,000 to 15,000	15,000 to 20,000	20,000 to 25,000	25,000 or over	5,000 to 10,000	10,000 to 15,000	15,000 to 20,000	20,000 to 25,000	25,000 or over	5,000 to 10,000	10,000 to 15,000	15,000 to 20,000	20,000 to 25,000	25,000 or over
1930.....	31.73	17.72	6.57	2.34	2.56	60.88	26.39	9.72	1.85	.70	32.46	38.77	17.52	6.45	2.50
1931.....	35.15	15.38	5.10	2.03	1.86	61.23	26.85	9.28	2.01	.38	36.12	39.98	15.16	4.98	1.79
1932.....	37.19	40.81	13.96	4.71	1.67	53.03	28.06	13.35	4.82	.62	37.74	40.36	13.94	4.71	1.61
1933.....	44.95	37.85	10.85	3.71	1.43	55.11	29.05	12.84	2.25	.50	45.27	37.58	10.91	3.66	1.18
1934.....	44.14	39.26	10.56	3.53	1.15	60.88	24.33	12.22	1.96	.37	44.68	38.77	10.62	3.47	1.12
July 1, 1934.....	43.94	38.41	3.82	1.59	1.32	59.10	25.11	12.83	2.11	.71	44.38	38.03	10.98	3.77	1.28

<sup>1</sup> These data, with the exception of the six-month period for 1934, cover calendar years. Adjustments for seasonal variations in motor fuel sales have not been made.

<sup>2</sup> Owing to the lack of available information some companies were unable to furnish for each period the number of stations supplied on 100 percent basis. In order that comparisons might be made, and to avoid eliminating these companies, the number of stations reported as of the next earliest date were substituted.

<sup>3</sup> Where either the gallonage or book value was omitted the number of stations operated have been eliminated from the respective calculations.

TABLE 8. *Service stations supplied on 100 per cent basis*

As of January 1—	Service Stations				Per cent of total		
	Company owned—		Noncompany owned but supplied on 100 per cent basis <sup>1</sup>	Total	Company owned—		Noncompany owned but supplied on 100 per cent basis
	And operated	Operated by others			And operated	Operated by others	
Integrated companies							
1930.....	16, 976	6, 509	138, 242	161, 727	10. 50	4. 02	85. 48
1931.....	20, 780	8, 125	158, 471	187, 376	11. 09	4. 34	84. 57
1932.....	22, 501	7, 930	173, 388	203, 819	11. 04	3. 89	85. 07
1933.....	24, 627	7, 770	177, 929	210, 326	11. 71	3. 69	84. 60
1934.....	24, 248	9, 480	179, 024	212, 752	11. 40	4. 46	84. 14
July 1, 1934.....	23, 761	10, 166	180, 047	213, 974	11. 10	4. 75	84. 15
Nonintegrated companies							
1930.....	432	107	1, 362	1, 901	22. 72	5. 63	71. 65
1931.....	797	120	1, 486	2, 403	33. 17	4. 99	61. 84
1932.....	809	180	2, 168	3, 157	25. 62	5. 70	68. 68
1933.....	802	239	3, 448	4, 489	17. 86	5. 32	76. 82
1934.....	818	263	4, 015	5, 096	16. 05	5. 16	78. 79
July 1, 1934.....	709	408	4, 291	5, 408	13. 11	7. 54	79. 35
Integrated and nonintegrated companies—Combined							
1930.....	17, 408	6, 616	139, 604	163, 628	10. 64	4. 04	85. 32
1931.....	21, 577	8, 245	159, 957	189, 779	11. 37	4. 34	84. 29
1932.....	23, 310	8, 110	175, 556	206, 976	11. 26	3. 92	84. 82
1933.....	25, 429	8, 009	181, 377	214, 815	11. 84	3. 73	84. 43
1934.....	25, 066	9, 743	183, 039	217, 848	11. 51	4. 47	84. 02
July 1, 1934.....	24, 470	10, 574	184, 338	219, 382	11. 15	4. 82	84. 03

<sup>1</sup> See note on Table No. 7.



## EXHIBITS

Phone Lincoln 6134

## HYGRADE OIL &amp; FUEL CORP.

1070-1088 NIAGARA ST.



BUFFALO, NEW YORK

March 18th, 1939.

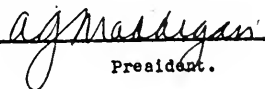
To all Managers and Tenants  
on Hygrade-Gulf Stations:

It has been drawn to my attention that a man, who was previously employed by us, is offering to various station managers and operators Oil for resale on their stations. He has been using the argument "Others are doing it; why not you?"

May I call your attention to the unfairness of such a suggestion, and point out to you that wherever such oil is found on a station, immediate cancellation of our arrangement with the tenant or manager will obtain.

HYGRADE OIL &amp; FUEL CORPORATION

By



President.

AGM:S



GULF PETROLEUM PRODUCTS



1020 Wash. Street  
Brainerd, Minn  
Mar. 14, 1939

Phil A Nelson Esq  
Duluth, Minn

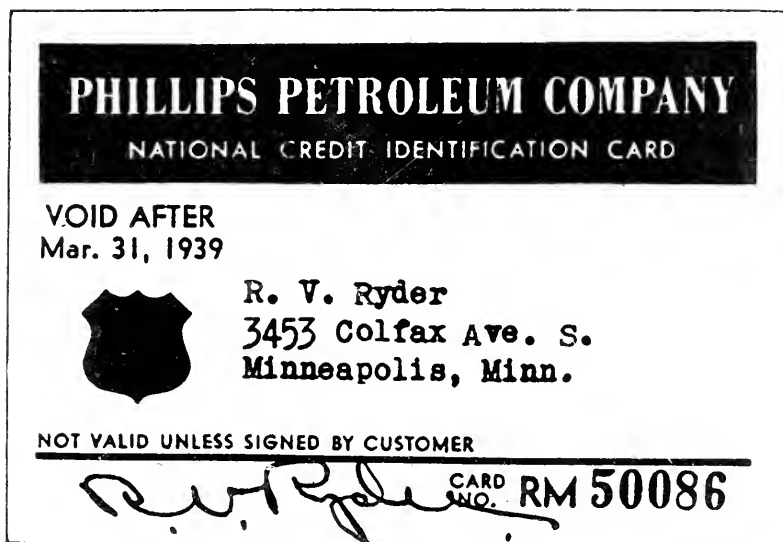
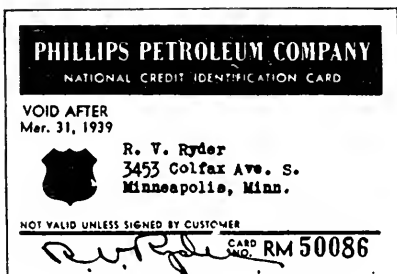
Gentlemen

I find that you have put five (5)  
cases of Kendall Oil in my Service Station  
at Crosby, Minn, and this is to advise  
that I expect to have you remove same  
immediately, or I will start action against you.  
Even if Mr. Lewis did buy and pay for that  
he had no right to do so

I will also expect you to cancel the  
order you have taken from the Vice  
Master Station at Brainerd - as this is also  
my Service Station

I am not building Service Stations  
for someone else to sell their merchandise  
through, Therefore, will you kindly take care  
of this at once

Yours very truly,  
J. C. Thompson JOBBER  
TEXAS CORP



## THE TERMS OF ISSUE

THIS CARD IS ACCEPTED BY THE INDIVIDUAL OR FIRM WHOSE NAME AND SIGNATURE APPEARS HEREON FOR HIS OR THEIR EXCLUSIVE USE IN PURCHASING PETROLEUM PRODUCTS, TIRES, BATTERY, ACCESSORY AND LUBRICATING SERVICE REGULARLY SOLD FOR CREDIT BY THE AUTHORIZED DEALER OF PHILLIPS PETROLEUM COMPANY AND SERVICE STATIONS AND DEALERS OF ANY OF THE UNDERNAMED COMPANIES:

COLONIAL BEACON OIL CO., INC.	THE CALIFORNIA COMPANY
STANDARD OIL CO. OF NEW JERSEY	IN MONTANA & WYOMING ONLY
STANDARD OIL CO. OF PENNSYLVANIA	STANDARD OIL CO. OF CALIFORNIA
THE STANDARD OIL CO. (OHIO)	STANDARD OIL CO. OF ILL. LTD.
STANDARD OIL CO. (KENTUCKY)	UNION OIL COMPANY OF CALIFORNIA
STANDARD OIL CO. OF LOUISIANA	UTAH OIL REFINING COMPANY
KESBEC, INC., NEW YORK CITY	UNION OIL CO. OF CAN. LTD.
HUMBLE OIL & REFINING CO.	IMPERIAL OIL LIMITED—CANADA
STANDARD OIL CO. OF TEXAS (NOT GOOD IN NEW MEXICO)	

ACCOUNTS ARE DUE AND PAYABLE BY THE 10TH OF THE MONTH SUBSEQUENT TO DELIVERY, AND THIS CARD MAY BE CANCELLED AT ANY TIME WITHOUT NOTICE UPON NON-PAYMENT OF ACCOUNT BY DUE DATE.

HOLDER AGREES TO PROMPTLY NOTIFY ISSUING COMPANY IN WRITING SHOULD THIS CARD BE LOST OR STOLEN. IF NOTICE IS NOT GIVEN, IT SHALL BE PRESUMED THAT PARTY PRESENTING THIS CARD FOR CREDIT IS AUTHORIZED TO MAKE PURCHASES IN THE HOLDER'S NAME, AND THE AUTHORIZED HOLDER WILL PAY FOR ALL PURCHASES FURNISHED SUCH PERSON HEREUNDER.

CREDIT EXTENDED HEREUNDER SHALL BE AT THE OPTION OF THE DEALER.

## THE TERMS OF ISSUE

THIS CARD IS ACCEPTED BY THE INDIVIDUAL OR FIRM WHOSE NAME AND SIGNATURE APPEARS HEREON FOR HIS OR THEIR EXCLUSIVE USE IN PURCHASING PETROLEUM PRODUCTS, TIRES, BATTERY, ACCESSORY AND LUBRICATING SERVICE REGULARLY SOLD FOR CREDIT BY THE AUTHORIZED DEALERS OF PHILLIPS PETROLEUM COMPANY AND SERVICE STATIONS AND DEALERS OF ANY OF THE UNDERNAMED COMPANIES:

COLONIAL BEACON OIL CO., INC.	THE CALIFORNIA COMPANY
STANDARD OIL CO. OF NEW JERSEY	IN MONTANA & WYOMING ONLY
STANDARD OIL CO. OF PENNSYLVANIA	STANDARD OIL CO. OF CALIFORNIA
THE STANDARD OIL CO. (OHIO)	STANDARD OIL CO. OF B. C., LTD.
STANDARD OIL CO. (KENTUCKY)	UNION OIL COMPANY OF CALIFORNIA
STANDARD OIL CO. OF LOUISIANA	UTAH OIL REFINING COMPANY
KESBEC, INC., NEW YORK CITY	UNION OIL CO. OF CANADA, LTD.
HUMBLE OIL & REFINING CO.	IMPERIAL OIL LIMITED—CANADA
STANDARD OIL CO. OF TEXAS (NOT GOOD IN NEW MEXICO)	

ACCOUNTS ARE DUE AND PAYABLE BY THE 10TH OF THE MONTH SUBSEQUENT TO DELIVERY, AND THIS CARD MAY BE CANCELLED AT ANY TIME WITHOUT NOTICE UPON NON-PAYMENT OF ACCOUNT BY DUE DATE.

HOLDER AGREES TO PROMPTLY NOTIFY ISSUING COMPANY IN WRITING SHOULD THIS CARD BE LOST OR STOLEN. IF NOTICE IS NOT GIVEN, IT SHALL BE PRESUMED THAT PARTY PRESENTING THIS CARD FOR CREDIT IS AUTHORIZED TO MAKE PURCHASES IN THE HOLDER'S NAME, AND THE AUTHORIZED HOLDER WILL PAY FOR ALL PURCHASES FURNISHED SUCH PERSON HEREUNDER.

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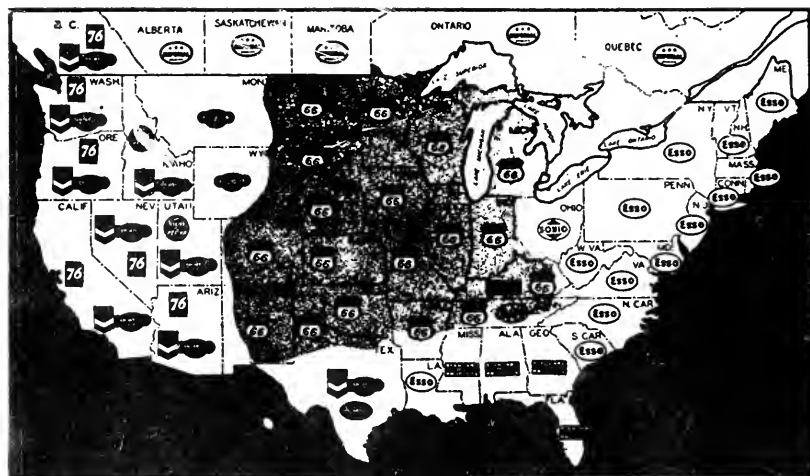
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(In Montana and Wyoming only)  
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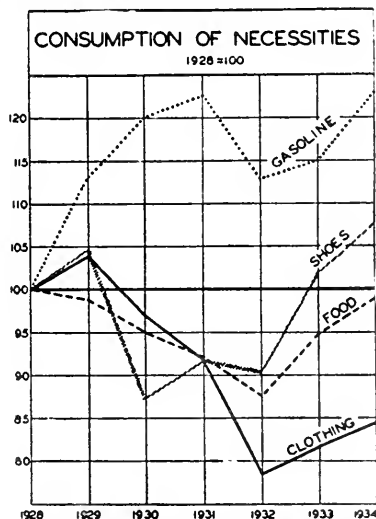
The advantages of the plan are obvious. No matter where in the United States or Canada the purchases are made, whether gasoline . . . oil . . . lubricating service . . . tires . . . accessories . . . they will all be included in your regular monthly Phillips statement. We trust your Phillips 66 National Credit Card will be of use to you this year and we hope it will add to your motoring pleasure.

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## THE CLEVELAND TRUST COMPANY BUSINESS BULLETIN

Volume 16, No. 2  
February 15, 1935

the same sort of preference is operative. The production of gasoline has held up during this depression far better than that of clothing, or shoes, or of processed foods, and has made during 1934 a new high record. Moreover gasoline consumption did not show any depression reduction until 1932 and 1933, and it has already recovered all the lost ground and something more.



**Consumption** Even during hard times Americans give to gasoline a foremost rank among the necessities of life. This may seem to be an amusing fact rather than an impressive one, but it is in reality one of the important economic developments of the depression. It has already become clear that the vigorous expansion of production by the automobile industry has been the most important single factor in the recovery that has so far taken place. The development which we need most is a large increase in the volume of residential construction, but the one that we are getting is a strong advance in the output of automobiles.

If we turn from the consideration of such important purchases as those of new automobiles and new homes to the smaller ones of individual consumption goods, we find that

In the diagram the four lines are arranged to show the changes in the consumption of gasoline, shoes, processed foods, and clothing during the past seven years on the basis of the records for 1928 being taken as equal to 100. The data for gasoline represents consumption, those for shoes and processed foods show production, and the line for clothing represents the changing numbers of people engaged in producing clothes.

The volume of food produced declined from 1928 to 1932, and has recovered in 1934 almost to the 1928 level. The output of shoes dropped abruptly at the beginning of the depression, and reached its lowest point in 1930. Apparently economies in shoe purchases were among the first to be generally adopted. By 1934 all the loss had been recovered. Gasoline consumption has been but little, and only temporarily, affected by the depression. Apparently it ranks in popular esteem ahead of other things that we have become accustomed to think of as being the foremost necessities of life.

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May 25, 1939

Mr. Adam Donald  
8 East 46th Street  
New York, N. Y.

Dear Mr. Donald:

Mr. Albert Lepawsky, Executive Director of the Federation of Tax Administrators, has forwarded to us a copy of your inquiry of May 20 concerning the sources of pressure for state trade barrier legislation.

You, of course, realize that it is almost impossible to make any general statement in this regard since conditions vary so much from state to state and they vary also enormously depending upon the type of trade barrier legislation considered.

For instance, preference for home purchases has naturally come from retailers in the smaller states and from large manufacturers in the manufacturing states. On the other hand, preferences for home labor in the construction of public works has come from labor organizations.

Discriminatory beer legislation has largely been the result of pressure from the large interstate brewers and the local brewers, depending upon the type of barrier which has been set up. Both types have been adopted by states. Again, most barrier laws on wines or discriminatory taxation of out-of-state wines have been the result of pressure by organized grape growers.

In the instance of motor vehicle barrier legislation, local trucking concerns have played a part and the railroads have also been responsible.

In very few instances could it be said that these laws have been adopted by the state legislatures merely for the purpose of raising revenue. In most cases little or no revenue is realized; as an instance, the revenue from the high taxes and license fees for the sale of oleomargarine in Wisconsin amounted, I am informed, to but \$125 over one

- 2 -

three-year period. In a state like Wisconsin, the pressure for barrier against the use of oleomargarine naturally comes from both dairy farmers and the manufacturers of dairy products.

In the south, cotton farmers and cottonseed manufacturers have urged the adoption of legislation penalizing oleomargarine only if it is made from oils imported from outside the United States.

Therefore I feel it is almost impossible to make definite statements concerning those pressures which have caused the adoption of trade barrier laws.

Very sincerely,

*Stewart Wilson*

SGW:EC



CLARK UNIVERSITY  
WORCESTER, MASSACHUSETTS

ECONOMICS AND SOCIOLOGY

S. J. BRADSHAW  
J. A. HAYWELL  
A. F. LUCAS  
F. E. MILDEN

May 24, 1939

Mr. Adam Donald,  
8 East 46th St.  
New York, N.Y.

Dear Sir: Your letter of May 20 was forwarded to me today from Brunswick, Maine. It comes at a time when my schedule is very crowded on account of the end of the school year, final examinations, etc. Therefore, I am unable to make a thorough search of the material I have collected on the subject of interstate trade barriers over the past six years. Most of the material I have was either published in the little book <sup>you</sup> printed by the University of Maine <sup>press</sup> in 1937, which you no doubt have, or is on file in Brunswick where I conducted a good deal of my research. However, I shall try to answer your questions from memory, without being able to cite the sources from which I drew my information.

From the standpoint of the sources I have studied I should say that chain store taxes in particular and perhaps purchase preference laws, also, have been enacted in large measure because of the pressure of independent retailers and wholesalers associations, with resident farm or manufacturing interests cooperating to some extent. The desperate need for revenues on the part of many states, during the early 1930's probably contributed to the enactment

of chain store taxes at that time, but the movement for discriminatory chain store taxes was already strong in 1929, as witnessed by the fact that seven states had experimented with special chain store taxes before that year. Also a radio campaign against chain stores was going strong in the South, before 1929. State legislatures did not legislate to protect resident merchants in the 1920's without considerable pressure from merchant groups. In the early 1930's this pressure probably became stronger, but it was combined by that time with the urgent need to tap new ready sources of revenue. A number of other types of state barrier laws, such as the use tax, oleomargarine tax and various discriminatory liquor taxes were enacted in large degree because of similar pressures. In at least two cases, <sup>in</sup> state use tax laws, <sup>it is</sup> declared in their preambles that they are being enacted to protect resident merchants against out of state sellers who can sell without being liable for the sales tax.

I am sure that I have a great deal of material which I might assemble to verify these opinions, but as I stated at the beginning I am extremely busy, and most of my sources are on file in Wisconsin. Therefore I cannot give you any more complete information.



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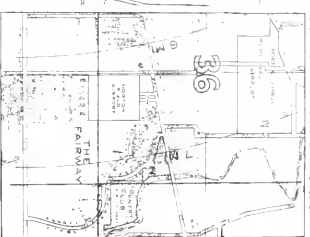
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DELMICATIONS

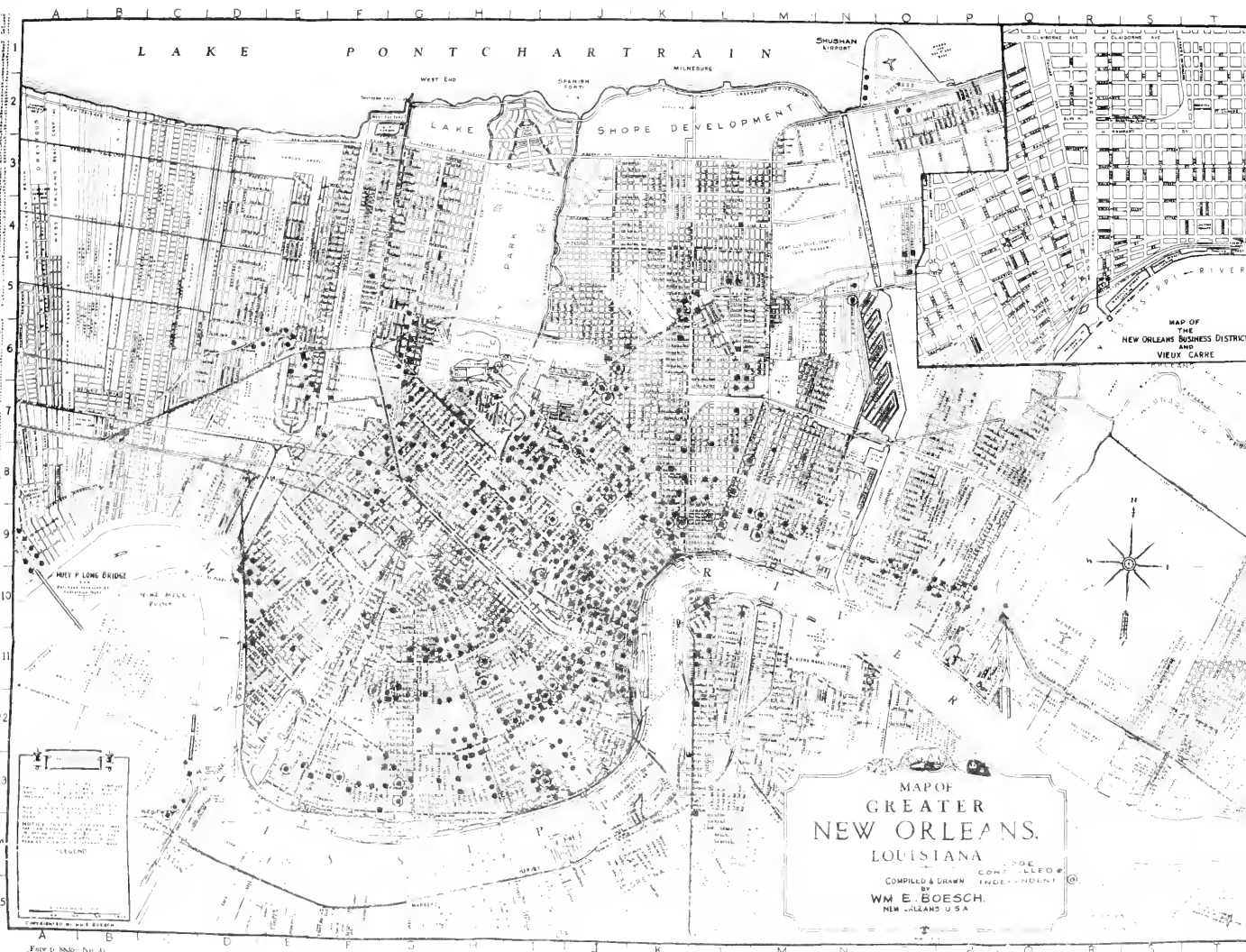
# **DREHER'S** MILE SQUARE INDEX MAP OF THE CITY OF **COLUMBUS** AND COLUMBUS ENVIRONS

GOVERNMENT  
PROPERTY

B. CONTINUED ON P. 2. SEE INDEX FOR LOCATION.











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new numbering system in Portland is 100 numbers for each block. Even numbers are on odd and east sides of the street, and odd numbers are on even and west sides of the street. The new system is now being installed in the city's 100 numbered areas. The new system is being installed in the city's 100 numbered areas. The new system is being installed in the city's 100 numbered areas.



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(Face p. 8835—No. 4)



If you have not already done so you might get in touch with the Institute of Distribution, on Park Ave. in New York City. Someone there might be able to give you additional aid, as that organization has done some research on the subject, especially chain store taxes. The Great Atlantic and Pacific Tea Co. office might have some material, also, although I have never contacted that firm in my research on the subject.

I hope that this hasty letter will be of some aid to you. I am

Very truly yours,

F. E. Meller.

P.S. The Council of State Governments,

1313 - E. 60<sup>th</sup> St Chicago, has assembled a considerable amount of material on the subject, and has some very inexpensive publications, which might assist you.

F. E. M.





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